

NEW ISSUE – BOOK ENTRY ONLY

INSURED RATINGS: S&P “AA”  
 UNDERLYING RATINGS: S&P: “AA-”  
 (See “RATINGS” herein)

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest (and original issue discount) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest (and original issue discount) is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Certificates.*

\$36,000,000\*

**TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT**  
**Certificates of Participation**  
**(2019 School Financing Project)**  
**Evidencing the Fractional Interests of the**  
**Owners Thereof in Lease Payments to be Made by the**  
**TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT**

**Dated: Date of Delivery**

**Due: June 1, as shown on the inside cover**

*This cover page contains information for general reference only. It is not a complete summary of the Certificates, the Trust Agreement or the Lease. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates. Capitalized terms used but not otherwise defined on the cover page hereof shall have the meanings assigned herein.*

The Tahoe-Truckee Unified School District Certificates of Participation (2019 School Financing Project) (the “Certificates”), are being executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2019 (the “Trust Agreement”), by and among U.S. Bank National Association, as trustee, the Tahoe Truckee Unified School District Financing Corporation (the “Corporation”) and the Tahoe-Truckee Unified School District (the “District”). The proceeds of the Certificates will be used to (i) finance capital improvements to District sites and facilities, (ii) purchase an insurance policy for deposit into a debt service reserve fund established for the Certificates, and (iii) pay certain costs related to the execution and delivery of the Certificates.

Pursuant to a Site Lease, dated as of September 1, 2019, the District will lease certain real property of the District and the school facilities located thereon as further described herein (the “Property”), to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of September 1, 2019 (the “Lease”), by and between the Corporation and the District. The Certificates evidence fractional interests in Lease Payments to be made by the District, as lessee under the Lease, for use and possession of the Property. The District has covenanted to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. **The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property.**

The Certificates will be delivered in book-entry form only, and will be initially delivered and registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates, but will instead receive credit balances on the books of their respective nominees. The Certificates shall be dated their date of delivery and shall represent interest payable semiannually on each June 1 and December 1, commencing December 1, 2019. The Certificates shall be delivered in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



**The Certificates are subject to extraordinary prepayment, optional prepayment, special optional prepayment and mandatory sinking fund prepayment prior to their stated maturity dates as further described herein.\***

**The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the District to make Lease Payments is subject to the District’s beneficial use and possession of the Property.**

**Maturity Schedule**  
 (see inside front cover)

*The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Special Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by Katien Muchin Rosenman LLP and for the Trustee and the Corporation by their respective counsels. It is anticipated that the Certificates in book-entry form will be available for delivery to The Depository Trust Company in New York, New York on or about \_\_\_\_\_, 2019.*

**Wells Fargo Securities**

The date of this Official Statement is \_\_\_\_\_, 2019.

\* Preliminary, subject to change.

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

**MATURITY SCHEDULE\***

**Base CUSIP<sup>(1)</sup>:**

**\$36,000,000\***

**Tahoe-Truckee Unified School District  
Certificates of Participation  
(2019 School Financing Project)**

**\$\_\_\_\_\_ Serial Certificates**

<b><u>Maturity (June 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP<sup>(1)</sup> Suffix</u></b>
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**\$\_\_\_\_\_ – \_\_\_\_\_% Term Certificates due June 1, 20\_\_ – Yield: \_\_\_\_\_%; CUSIP<sup>(1)</sup> Suffix:**

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\* Preliminary, subject to change.

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Certificates. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

Certain of the information contained herein, other than that provided by the District, has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter.

No dealer, broker, salesperson or other person has been authorized by the District, the Corporation 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 information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Certificates shall under any circumstances create any implication that there has been no change in the affairs of the District, the Corporation or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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 in this Official Statement, 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 Underwriter has provided the following sentence for inclusion in this Official Statement:

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

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Certificates.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “THE CERTIFICATES – Certificate Insurance” herein and “EXHIBIT H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto.

## **TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT**

### **Board of Education**

Kim Szczurek, *President, Trustee Area 1*  
Gaylan Larson, *Clerk, Trustee Area 4*  
Dianna Driller, *Member, Trustee Area 5*  
Cris Hennessey, *Member, Trustee Area 3*  
Kirsten Livak, *Member, Trustee Area 2*

### **District Administration**

Dr. Robert Leri, Superintendent/Chief Learning Officer  
Todd Rivera, Executive Director of Business Services

### **SPECIAL COUNSEL AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth,  
a Professional Corporation  
*San Francisco, California*

### **MUNICIPAL ADVISOR**

Keygent LLC  
*El Segundo, California*

### **TRUSTEE**

U.S. Bank National Association  
*San Francisco, California*

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**\$36,000,000\***  
**TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT**  
**Certificates of Participation**  
**(2019 School Financing Project)**

**Evidencing the Fractional Interests of the**  
**Owners Thereof in Lease Payments to be**  
**Made by the**  
**TAHOE-TRUCKEE UNIFIED SCHOOL 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, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

This Official Statement provides certain information concerning the sale and delivery of \$36,000,000\* of Tahoe-Truckee Unified School District Certificates of Participation (2019 School Financing Project) (the “Certificates”), evidencing the fractional interests of the Owners thereof (as hereinafter defined) in Lease Payments (as hereinafter defined) to be made by the Tahoe-Truckee Unified School District (the “District”) pursuant to a Lease/Purchase Agreement, dated as of September 1, 2019 (the “Lease”), by and between the Tahoe Truckee Unified School District Financing Corporation, as lessor (the “Corporation”), and the District, as lessee, for the use and possession of the real property and school facilities thereon known as Truckee High School (the “Property”).

**The District**

The Tahoe-Truckee Unified School District (the “District”) is a Community Funded district (defined herein), which was established in 1949 and located in Placer County (the “County”), Nevada County and El Dorado County (collectively with the County, the “Counties”) in the Sierra Nevada Mountain Range near Lake Tahoe. The District operates five elementary schools, two middle schools, two high schools, one alternative school and one continuation school. For fiscal year 2018-19, the District’s average daily attendance (“ADA”) was 3,708 students and the District has budgeted an ADA of 3,722 students for fiscal year 2019-20.

The District is governed by a five-member Board of Education (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. Dr. Robert Leri is currently the District Superintendent/Chief Learning Officer.

For more information regarding the District, see also “TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT” and “DISTRICT FINANCIAL MATTERS” herein. The District’s audited financial statements for the fiscal year ended June 30, 2018 are attached hereto as Appendix C and should be read in their entirety.

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\* Preliminary, subject to change.

## **Purpose of the Certificates**

The proceeds of the Certificates will be used to (i) finance capital improvements to District sites and facilities, (ii) purchase a municipal bond debt service reserve fund insurance policy for deposit in the debt service reserve fund (the “Reserve Fund”) established for the Certificates, and (iii) pay certain costs related to the execution and delivery of the Certificates. See also “THE PROJECT” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

## **Security and Source of Payment of the Certificates**

The Certificates are being executed and delivered pursuant to a Trust Agreement (the “Trust Agreement”), dated as of September 1, 2019, by and among the District, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”). The District is required under the Lease to pay Lease Payments for the use and possession of the Property, as further described under the caption “THE PROPERTY” herein. The District is also required to pay any taxes and assessments, and is responsible for all maintenance and repair of the Property.

Pursuant to an Assignment Agreement, dated as of September 1, 2019 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease and a Site Lease, dated as of September 1, 2019 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments and prepayments from the District under the Lease and rights as may be necessary to enforce the payment of such Lease Payments and prepayments. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates. The District has covenanted in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Lease Payments” herein. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS - Abatement” herein.

**The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California (the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.**

## Description of the Certificates

*For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES” herein and Appendix A - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. The summaries and descriptions in the Official Statement of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and other agreements relating to the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in such documents.*

**Registration, Transfers and Exchanges.** The Certificates will be executed and delivered as fully registered Certificates, 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 interests in the Certificates (the “Beneficial Owners”), under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates, but will instead receive credit balances on the books of their respective nominees. See Appendix E - “BOOK-ENTRY ONLY SYSTEM” attached hereto. In the event that the book-entry only system described below is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement.

**So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the “Owners” “Certificate Owners” or “Holders” of the Certificates (other than under the caption “TAX MATTERS,” and in Appendix B) will mean Cede & Co. and will not mean the Beneficial Owners of interests in the Certificates.**

**Payments.** The Certificates shall be dated as of their date of delivery and shall represent interest therefrom, payable semiannually on each June 1 and December 1, commencing December 1, 2019 (each, a “Certificate Payment Date”). Principal with respect to the Certificates shall be payable on each June 1, in the amounts and years as set forth on the inside cover page hereof.

Principal and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered Owners of the Certificates and will be paid principal and interest by the Trustee, all as described herein. See Appendix A - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and Appendix E – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

**Prepayment.\*** The Certificates are subject to optional prepayment, extraordinary prepayment, special optional prepayment, and mandatory sinking fund prepayment as further described herein.

**Denominations.** The Certificates are being executed and delivered in minimum denominations of \$5,000 principal amount, or any integral multiple thereof.

**Bond Insurance.** The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under the Policy (as defined herein) to be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). See “THE CERTIFICATES – Certificate Insurance” herein.

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\* Preliminary, subject to change.

***Additional Certificates.*** Pursuant to the Trust Agreement, the District may cause Additional Certificates to be executed and delivered without the consent of the Owners of the Certificates then-outstanding if certain conditions precedent are satisfied. In connection with the delivery of Additional Certificates, the Lease Payments due under the Lease would be increased. The Certificates then outstanding and the Additional Certificates will be secured on a parity under the Trust Agreement by Lease Payments and other amounts held in the funds established thereunder other than the Rebate Fund. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST AGREEMENT – Additional Certificates” attached hereto.

### **Continuing Disclosure**

The District has covenanted for the benefit of the Owners and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s Fiscal Year (presently ending on June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ending June 30, 2018, and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”). See “CONTINUING DISCLOSURE” herein and Appendix D - “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

### **Professionals Involved in the Offering**

U.S. Bank National Association, San Francisco, California, will act as Trustee with respect to the Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Special Counsel and Disclosure Counsel with respect to the Certificates. Keygent LLC, El Segundo, California is acting as Municipal Advisor to the District with respect to the Certificates. The payment of fees for Special/Disclosure Counsel and the Municipal Advisor are contingent on the execution and delivery of the Certificates and the payment of the purchase price therefor by Wells Fargo Bank, National Association (the “Underwriter”). Certain matters will be passed on for the Underwriter by Katten Muchin Rosenman LLP, New York, New York, and for the Trustee and the Corporation by their respective counsels. From time to time, Special Counsel represents the Underwriter on matters unrelated to the District or the Certificates.

### **Certificate Owners’ Risks**

Certain events could affect the ability of the District to make the Lease Payments when due. See “RISK FACTORS” herein, for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

### **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “intend,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS,

UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

### **Other Information**

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

Copies of the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the Superintendent, Tahoe-Truckee Unified School District, 11603 Donner Pass Road, Truckee, California 96161, telephone: (530) 582-2500.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

This Official Statement contains brief descriptions of, among other things, the District, the Corporation, the Certificates, the Trust Agreement, the Lease, the Assignment Agreement and the Site Lease and certain other matters relating to the security for the Certificates. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such documents will be available for inspection at the principal office of the Trustee after delivery of the Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement or the Lease.

The sale and delivery of the Certificates to potential investors is made only by means of the Official Statement.

## **THE PROJECT**

The Project consists of financing the acquisition, modernization, repair, and construction of District sites and facilities, including Truckee Elementary School and Truckee High School, located in Truckee, California, Tahoe Lake Elementary School and North Tahoe School/High School, located in Tahoe City, California, and Kings Beach Elementary School, located in Kings Beach, California. See also “ESTIMATED SOURCES AND USES OF PROCEEDS” herein. In addition to the proceeds from the Certificates, the total construction cost of the facilities improvements discussed above will be funded with proceeds of general obligation bonds issued under the SFID No. 1 2014 Authorization (defined herein), SFID No. 2 2014 Authorization (defined herein), developer fees, and State funding received through the School Facility Program.

## **THE PROPERTY**

Pursuant to the Site Lease, the District is leasing the Property to the Corporation and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of the existing site and school facilities known as Truckee High School, located at 11725 Donner Pass Road, Truckee, California 96161. Truckee High School was originally constructed in 1950 with classroom additions in 1958, 1963, and 1972. Truckee High School was modernized during 2005 using proceeds from the sale of District general obligation bonds and State funding. A new gymnasium and cafeteria were also added in 2005. In 2018, the District constructed a 49,000 square foot career technical education and science wing. The Property accommodates approximately 900 students, with a current enrollment of 747 students in grades 9 through 12. The site consists of a 34.7-acre site of approximately 185,000 square feet consisting of 8 permanent structures, including 63 classrooms, as well as a library, gymnasiums, cafeteria, playfields, parking areas, and an administration building.

The improvements on the Property currently have a total estimated insured replacement value of approximately \$73 million. See also “RISK FACTORS – Property Values” herein. This replacement value includes existing structures that are expected to be demolished and modernized as part the Project. However, such demolition is limited to certain interior portions of the main building, which has an insured replacement value of \$30,000,000, and, the District expects that it will continuing utilizing those portions of the main building not subject to modernization during the pendency of construction. The District also expects that, once the Project is completed, the insured value of all structures on the property will equal or exceed the current replacement value, and the Property will have a remaining useful life expectancy greater than the term of the Certificates.

## **THE CERTIFICATES**

### **General**

The Certificates will be executed in the aggregate principal amount of \$36,000,000.\* The Certificates will be dated the date of delivery (the “Date of Delivery”), and will be executed as fully registered book-entry Certificates, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof, and will mature on June 1 of each year, as set forth on the inside cover page hereof.

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\* Preliminary, subject to change.

Interest with respect to the Certificates will be payable each Certificate Payment Date, commencing on December 1, 2019, at the rates per annum set forth on the inside cover page hereof. If a Certificate is executed: (i) as of a Certificate Payment Date, interest with respect thereto will be payable from the date thereto; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not a Business Day) (each, a “Record Date”) and before the following Certificate Payment Date, interest with respect thereto will be payable from such following Certificate Payment Date; or (iii) prior to or on November 15, 2019, interest with respect thereto will be payable from the Date of Delivery. Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments to be made by the District. To the extent Lease Payments are abated or not made under the Lease, all Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS – Abatement” herein. If the Lease is prepaid in part, for any reason, the Certificate Owner will be entitled only to the remaining Lease Payments.

Principal and premium, if any, with respect to the Certificates will be payable upon surrender by the Owners thereof at the principal office of the Trustee. Interest with respect to the Certificates will be payable by wire transfer to a bank account within the United States that is on record with the Trustee as of the Record Date.

## **Prepayment**

***Extraordinary Prepayment.*** The Certificates are subject to prepayment prior to their respective maturity dates on any day, in whole or in part, from the proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof (collectively, “Net Proceeds”), which the Trustee shall deposit in the Prepayment Fund or other moneys deposited with the Trustee as provided in the Lease at least 45 days prior to the date set for such extraordinary prepayment and credited towards the prepayment made by the District pursuant to the Lease, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

Prepayments from Net Proceeds and the resulting redemption of Certificates that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Certificates. See “RISK FACTORS – Extraordinary Prepayment from Net Proceeds.”

***Optional Prepayment.\**** The Certificates evidencing principal maturing on or after June 1, 2027 are subject to optional prepayment prior to their stated maturities, in whole or in part, on any day on or after June 1, 2026, from any lawfully available source of funds in the event the District exercises its option under the Lease to prepay the principal component of the Lease Payments (in integral multiples of \$5,000), at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium.

***Special Optional Prepayment.\**** The Term Certificates maturing on June 1, 2049 (the “2049 Term Certificates”) are subject to special optional prepayment prior to their stated maturities, in whole or in part, on any day, from funds received by the District from the State under the California School Facility Program, including but not limited to, the Modernization Program, New Construction Program, Career Technical Educational Facilities Program and the Access Full-Day Kindergarten Facilities Grant Program

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\* Preliminary, subject to change.

(“State Facilities Funds”) for the construction and modernization of all or a portion of the Project or other school facilities of the District, in the event the District exercises its option under the Lease to prepay from such State Funds the principal component of the Lease Payments (in integral multiples of \$5,000), at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. See “RISK FACTORS – Considerations Regarding Special Optional Prepayment” herein.

***Mandatory Sinking Fund Prepayment.***\* The Certificates evidencing principal maturing on June 1, 20\_\_, are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on June 1 of each year on and after June 1, 20\_\_, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of such Lease Payments to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

<b>Year Ending <u>June 1</u></b>	<b>Principal Component <u>To Be Prepaid</u></b>
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(1) Maturity.

***Selection of Certificates for Prepayment.*** Whenever less than all the Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment, from the Outstanding Certificates not previously called for prepayment, as directed by the District or, if the District does not so direct, pro rata among maturities and within each maturity by lot.

**Prepayment Procedures**

***Notice of Prepayment.*** When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, (g) the rate of interest payable with respect to each Certificate being prepaid, and (h) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount evidenced by such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be sent (i) by registered or certified mail, postage prepaid, to the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least twenty (20) days, but not more than forty-five (45) days, prior to the prepayment date, (ii) by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Depository on the date of mailing of notice to the Owners, and (iii) by registered or certified mail, postage prepaid, or overnight delivery service to the national Information Services that disseminate securities redemption notices, on the date



notice is mailed to the Owners. Notice of prepayment shall also be sent as required by the Continuing Disclosure Certificate.

Neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

“Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system.

Notice having been given to the Owners of the Certificates as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund or as otherwise permitted by the Trust Agreement, the Certificates shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the Principal Office of the Trustee, said Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

***Effect of Notice of Prepayment.*** If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee (or such other escrow agent as shall be selected by the District) so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

***Rescission of Notice of Prepayment.*** With respect to any notice of prepayment of Certificates, unless upon the giving of such notice such Certificates shall be deemed to have been defeased pursuant to the Trust Agreement, such notice shall state that such prepayment shall be conditional upon the receipt by the Trustee (or an independent escrow agent selected by the District) on or prior to the date fixed for such prepayment of the moneys necessary and sufficient to pay the principal, premium, if any, and interest with respect to such Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect, the Certificates shall not be subject to prepayment on such date and the Certificates shall not be required to be prepaid on such date. In the event that such notice of prepayment contains such a condition and such moneys are not so received, the prepayment shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of prepayment was given, that such moneys were not so received. The District will also have the right to rescind any notice of prepayment, by written notice to the Trustee, on or prior to the date fixed for such prepayment. The Trustee will distribute a notice of such rescission in the same manner as the notice of prepayment was originally provided.

### **Additional Certificates**

Under the terms of the Trust Agreement the District is authorized to sell Additional Certificates secured by Lease Payments for use and occupancy of the Property. Such Additional Certificates would be payable from legally available moneys of the District and be subject to appropriation. See Appendix A - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Trust Agreement” attached hereto.

## **SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULES**

Lease Payments are required to be made by the District under the Lease on or before May 15 and November 15 of each year (each, a “Lease Payment Date”) for the use and possession of the Property for the period commencing as of the Date of Delivery and terminating on June 1, 20\_\_, or extended as provided in the Lease. The Lease requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee under the Trust Agreement (the “Lease Payment Fund”). On each Certificate Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of such Lease Payments and will apply such amounts to make principal and interest payments represented by the Certificates when due.

The table on the following page summarizes the semi-annual Certificate payment requirements of the District.

[REMAINDER OF PAGE LEFT BLANK]

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Payments</u>	<u>Annual Payments</u>
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## **SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES**

**Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation.**

### **General**

Each Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District to the Trustee under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments and prepayments, to the Trustee for the benefit of the Owners. By the fifteenth day of each May and November (if such day is not a Business Day, the next succeeding Business Day), the District must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is equal to the amount necessary to pay the principal, if any, and interest due with respect to the Certificates on the next succeeding Certificate Payment Date.

Under the Lease, the District agrees to pay certain taxes, assessments, utility charges, and insurance premiums charged with respect to the Property and the Certificates and fees and expenses of the Trustee. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Property will not be subjected to loss or forfeiture.

The District's obligation to make Lease Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. Abatement would not constitute a default under the Lease and the Trustee would not be entitled in such event to pursue remedies against the District. See "RISK FACTORS - Abatement" herein.

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may retain the Lease and hold the District liable for all Lease Payments thereunder on an annual basis. See also "RISK FACTORS – Limited Recourse on Default." Under no circumstances will the Trustee have the right to accelerate Lease Payments. The exercise of the remedies provided to the Trustee is subject to various limitations on the enforcement of remedies against public agencies. See "RISK FACTORS - No Acceleration Upon Default" herein.

### **Lease Payments**

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see "RISK FACTORS - Abatement" herein) and prepayment of Lease Payments (see the provisions relating to prepayment under the caption "THE CERTIFICATES" above), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the

use and possession of the Property, the Lease Payments to be due and payable on each Lease Payment Date.

Any monies deposited in the Lease Payment Fund during the month preceding a Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited to the payment of Lease Payments due and payable on such Lease Payment Date.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on June 1 and December 1 of each year, commencing December 1, 2019, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make interest and principal payments, respectively, with respect to the Certificates as the same shall become due and payable, in the amounts specified in the Lease.

### **Bond Insurance**

***Bond Insurance Policy.*** Concurrently with the execution and delivery of the Certificates, BAM will issue its Municipal Bond Insurance Policy for the Certificates (the “Policy”). The Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

***Build America Mutual Assurance Company.*** BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "THE CERTIFICATES – Certificate Insurance" herein.

### *Additional Information Available from BAM*

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditinsights/](http://buildamerica.com/creditinsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

### **Reserve Fund**

A debt service reserve fund (the “Reserve Fund”) is established by the Trust Agreement. Upon the execution and delivery of the Certificates, the District will deposit into the Reserve Fund a municipal bond debt service reserve insurance policy (the “Reserve Policy”), issued by BAM (in the capacity of issuer of the Reserve Policy, the “Reserve Insurer”), in a face amount equal to the Reserve Requirement. With respect to the Certificates, the term “Reserve Requirement” means, as of any calculation date, an amount equal to the lesser of (i) the maximum aggregate annual Lease Payments (in any Fiscal Year) then payable under the Lease, (ii) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (iii) 10% of the original face amount of the Certificates and/or Additional Certificates, as applicable (less original issue discount if in excess of two percent (2%) of the stated prepayment amount at maturity). The full amount available in the Reserve Fund may be used by the Trustee in the event of abatement or failure by the District to make Lease Payments with respect to the Certificates. Subject to the requirements and restrictions contained in the Trust Agreement, the District may substitute for the Reserve Policy for moneys on deposit in the Reserve Fund another line of credit, letter of credit, an insurance policy, or any other comparable credit facility (each, a “Reserve Facility”), or alternatively cash, or any combination thereof, which in the aggregate makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement, as provided in the Trust Agreement.

The District is obligated to replenish the Reserve Fund up to the Reserve Requirement by paying reserve replenishment rent under the Lease (“Reserve Replenishment Rent”) to the extent that amounts have been withdrawn from the Reserve Fund or a draw has been made on any Reserve Facility, thereby reducing the amounts available thereunder to pay principal or interest with respect to the Certificates, or there shall be a valuation deficiency in the Reserve Fund together with all amounts available under any Reserve Facility resulting from a decrease of 10% or more of the market value of the Permitted Investments therein. Reserve Replenishment Rent will be paid, however, only if (i) Lease Payments are not in abatement, (ii) the amount of such Lease Payments is less than the fair rental value of the Property and (iii) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments. See “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Agreement to Lease; Term of Lease; Lease Payments – Lease Payments – Reserve Replenishment Rent” attached hereto.

To the extent that the conditions to payment of Reserve Replenishment Rent are satisfied under the Lease, the District will be obligated to pay Reserve Replenishment Rent to the Trustee regardless of whether or not the District is in default under the Lease. Interest or income received by the Trustee on investment of moneys in the Reserve Fund will be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement. In the event that amounts on deposit in the Reserve Fund exceed the Reserve Requirement, subject to the requirement of transfers to the Rebate Fund, such excess may, on or before May 15 and November 15 of each year, be transferred to the Lease Payment Fund to be applied to the Lease Payments next coming due from the District.

## **Reserve Policy**

The Reserve Requirement will initially be satisfied by the Reserve Policy (described below). The premium on the Reserve Policy will be fully paid at time of the execution and delivery of the Certificates.

BAM has made a commitment to issue a Reserve Policy for the reserve fund with respect to the Certificates, effective as of the date of execution and delivery of such Certificates. Under the terms of the Reserve Policy, BAM will, subject to the Policy Limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest with respect to the Certificates that becomes due for payment but shall be unpaid by reason of nonpayment by the District (the “Insured Payments”).

No payment will be made under the Reserve Policy in excess of the Reserve Requirement. Pursuant to the terms of the Reserve Policy, the amount available at any particular time to be paid to the Trustee shall automatically be reduced to the extent of any payment made by BAM under the Reserve Policy, provided that, to the extent of the reimbursement of such payment by the District to BAM, the amount available under the Reserve Policy shall be reinstated in full or in part, in an amount not to exceed the limit available under the Policy, as described above.

The Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

## **Additional Payments**

In addition to the Lease Payments, the District shall also pay such Additional Payments as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including without limitation, all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, fees and payments due to BAM in connection with the Policy or Reserve Policy, fees and payments to the provider of any other Reserve Facility, taxes of any sort whatsoever payable by the Corporation as a result of its interest in the Property or undertaking of the transactions contemplated in the Lease or the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease to indemnify the Corporation and its employees, officers and directors, and the Trustee and its agents, successors and assigns. The District’s obligation to make Additional Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. See “RISK FACTORS – Abatement.”

## **Insurance**

Pursuant to the Lease, the District will obtain a California Land Title Association (“CLTA”) leasehold title insurance policy on the Property in an amount equal to the aggregate principal component of Certificates Outstanding. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future twenty-four-month period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers’ compensation insurance. The District is also obligated to procure and maintain casualty insurance providing coverage against loss or damage to the Property. The District is not required to maintain flood or earthquake insurance. See “RISK FACTORS – Natural Disasters;



Absence of Earthquake and Flood Insurance,” and Appendix A - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Lease” attached hereto.

The proceeds of any rental interruption insurance will be paid to the Trustee and deposited in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance award received by it either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which material damage or destruction to all or part of the Property substantially interferes with the District’s use and possession thereof. See “RISK FACTORS – Extraordinary Prepayment from Net Proceeds” and “—Abatement” herein.

### **ESTIMATED SOURCES AND USES OF PROCEEDS**

The estimated uses of total proceeds, reflecting proceeds to be received from the sale of the Certificates, are as follows:

	<b><u>Total</u></b>
<b><u>Sources</u></b>	
Principal Amount	
Plus [Net] Original Issue Premium	
Less Underwriter’s Discount	
Total	
<b><u>Uses</u></b>	
Building Fund <sup>(1)</sup>	
Lease Payment Fund	
Delivery Costs <sup>(2)</sup>	
Total	

<sup>(1)</sup> Reflects the deposit to the Building Fund for Project Costs. An additional deposit shall be made to the Building Fund for the payment of the Delivery Costs associated with the Certificates (less Policy and Reserve Policy premiums, which shall be wired directly to the Insurer by the Underwriter).

<sup>(2)</sup> Reflects all initial costs of executing and delivering the Certificates, including but not limited to legal and financial advisory fees, printing fees, the fees of the Trustee, Policy and Reserve Policy premiums, and other miscellaneous costs of issuance.

## **RISK FACTORS**

*The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

*No representation is made as to the future financial condition of the District. Payment of the Lease Payments is a general fund obligation of the District and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time.*

### **General Considerations - Security for the Certificates**

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments and Additional Payments from any source of legally available funds and the District has covenanted in the Lease that it will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease.

### **Extraordinary Prepayment from Net Proceeds**

Prepayment of the Certificates from Net Proceeds could be made as provided in the Trust Agreement, and the resulting prepayment of Certificates that were purchased at a price greater than the applicable prepayment price could reduce the otherwise expected yield on such Certificates.

### **Considerations Regarding Special Optional Prepayment**

The District has submitted applications under the State's Modernization Program, New Construction Program, Career Technical Educational Facilities Program and the Access Full-Day Kindergarten Facilities Grant Program (the Modernization Program, New Construction Program, Career Technical Educational Facilities Program and the Kindergarten Facilities Grant Program are collectively referred to herein as the "State Facilities Programs") for approximately \$12.5 million to fund eligible projects and the District intends to evaluate and apply for additional funding under the State Facilities Programs and other programs under the State's School Facility Program if eligible to do so. The receipt

of State Facilities Funds is dependent on (i) the State's issuance of bonds under Proposition 51 (or future state bond authorizations), in the case of the Modernization Program, Career Technical Educational Facilities Program or, appropriation by the State legislature, in the case of the Access Full-Day Kindergarten Facilities Grant Program, and (ii) the District's priority on the waiting list for the respective State Facilities Programs. The District expects to receive approximately \$1 million in fiscal year 2019-20 under the Career Technical Educational Facilities Program and the remainder of the approximately \$11.5 million of State Facilities Funds for which it has applied, prior to the June 1, 2026 first optional prepayment date described under "THE CERTIFICATES – Prepayment – Optional Prepayment." To the extent the State Facilities Funds are received and available to the District, it is the District's intent and expectation to utilize all such State Facilities Funds it receives to prepay all or a portion of the then outstanding 2049 Term Certificates. For more information regarding Proposition 51, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein

### **Constitutional and Statutory Provisions Affecting Taxes and Appropriations**

Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted to make. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

### **Abatement**

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (as well as Additional Payments and Reserve Replenishment Rent) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments (as well as Additional Payments and Reserve Replenishment Rent) due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. During abatement, available moneys on deposit in the Lease Payment Fund and the Reserve Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments and Additional Payments, as applicable.

If damage or destruction to the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments or other special sources of money, including without limitation proceeds of rental interruption insurance, are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only remedy available to the Trustee or Owners will be the proceeds from rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years during this period.

Notwithstanding the foregoing provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District's failure to have use and possession of the Property, such provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates Outstanding.

## **Natural Disasters; Absence of Earthquake and Flood Insurance**

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, droughts and other natural disasters. Northern California is a seismically active area, which presents a potential risk for damage to buildings, roads and property within the District, including the Property. The Property is not located within an Alquist Priolo Earthquake Study Zone or within a 100-year flood plain.

The District is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake or flood insurance on the Property being leased, and does not anticipate doing so. Thus, if seismic activity, flooding or other natural disasters caused significant damage to the Property, the value of such property could be adversely affected. The District is not able to predict whether or to what extent such damage might occur.

Public school construction in the State, including the school facilities constructed on the Property, are entitled and approved through the California Division of State Architect (“DSA”), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the State building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 *et seq* of the California Education Code (the “Field Act”). The Field Act sets forth structural design standards to enable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake.

## **Permitted Encumbrances – Lease-Lease Back Project Delivery Method**

In order to provide for the construction and delivery of certain portions of the Project to be undertaken at the Property, the District and Core Construction, Inc. (the “Developer”) entered into lease-lease back delivery agreements, whereby the District leased the Property to the Developer and a the Developer leased the Property back to the District. Pursuant to a Subordination, Consent and Forbearance Agreement to be executed and recorded prior to the Closing, the Developer has agreed to (i) subordinate its interest in the Property, to the liens created under the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and Contract of Purchase, and every other document evidencing the 2019 Certificates and all extensions, renewals, modifications, consolidations and replacements thereof and (ii) forfeited certain remedies under the lease-lease back delivery agreements, including the right to repossess and re-let the Property. Pursuant to the Lease, the District and the Corporation have determined that the lease-lease back delivery agreements executed with the Developer are a Permitted Encumbrance. See Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions.”

## **Other Limitations on Liability**

Although the District covenants to budget and appropriate annually to provide for Lease Payments, the District has not pledged its full faith and credit to such payment. In the event that the District’s revenue sources are less than its total obligations in any year, the District could choose to fund other District services before paying one or all of the annual Lease Payments.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

The enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

### **No Acceleration Upon Default**

In the event of a default by the District, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and the Trustee would in the event of default be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State.

### **Limited Recourse on Default**

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. Portions of the Property may not be easily recoverable, because they may be affixed to property not owned by the District and, even if recovered, may be of little or no value to others. Furthermore, due to the essential nature of the Property in relation to the District, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. The Trustee is not empowered to sell the Property for the benefit of the Owners. In the event of a default, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease. The District will be liable for Lease Payments only on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

Alternatively, the Trustee may terminate the Lease with respect to the Property and proceed against the District to recover damages pursuant to the Lease. Any suit for money damages would be subject to limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

### **Substitution of Property**

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property. See Appendix A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Covenants with Respect to the Property – Substitution or Release of the Property." The Lease requires that any property which will comprise the Property after such a substitution must have a useful life and fair rental value at least equal to the useful life and fair rental value of the Property at the time of substitution. Such a replacement could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments, Additional Payments and Reserve Replenishment Rent were to occur subsequent to such substitution.

## **Risks Relating to Bond Insurance**

In the event that the District defaults in the payment of principal or interest with respect to the Certificates when due, the Owners will have a claim under the Policy obtained in connection with the Certificates. In the event that BAM becomes obligated to make payments with respect to the Certificates, no assurance can be given that such event will not adversely affect the market for the Certificates. In the event that BAM is unable to make payments of principal or interest with respect to the Certificates when due under the Policy, the Certificates will be payable solely as described herein. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES.”

Neither the District nor the Underwriter will make an independent investigation of the claims paying ability of BAM, and no assurance or representation regarding the financial strength or projected financial strength thereof is being made by the District or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Certificates, potential investors should carefully consider the ability of the District to pay principal and interest with respect to the Certificates, assuming that the Policy is not available, and the claims-paying ability of BAM through final maturity of the Certificates.

## **Property Values**

The District has estimated the value of the real property constituting the Property. (See “THE PROPERTY” herein). The estimate makes certain assumptions which could affect the estimate of property value. If any of these assumptions are proven incorrect, there could be a negative impact on value. The estimates as to values are merely the opinions of the District as of the date the Property was last insured. The District has not sought the opinion of any appraiser. A different opinion of such value might be rendered by an appraiser.

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease, which is for a limited term, will be assigned to the Trustee. See Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease assigned to the Trustee.

## **THE CORPORATION**

The Tahoe Truckee Unified School District Financing Corporation, a nonprofit public benefit corporation, was incorporated on September 5, 1991 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was organized for the primary purpose of providing financial assistance to the District by acquiring, constructing, improving and financing various facilities, land and equipment, and by leasing facilities, land and equipment for the use of the District. The Corporation’s principal place of business is located at 11603 Donner Pass Road, Truckee, California 96161.

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## DISTRICT FINANCIAL MATTERS

### State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State’s annual budget.

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

The following table reflects the District’s historical ADA and the revenue limit rates per unit of ADA for fiscal years 2007-08 through 2012-13.

#### AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT Tahoe-Truckee Unified School District Fiscal Years 2007-08 through 2012-13

<u>Fiscal Year</u>	<u>Average Daily Attendance<sup>(1)</sup></u>	<u>Annual Change in ADA</u>	<u>Base Revenue Limit Per ADA<sup>(2)</sup></u>	<u>Community Funded Revenue Limit Limit Per ADA</u>
2007-08	3,845	--	\$5,860.23	\$7,665.72
2008-09	3,855	10	5,737.99	8,346.22
2009-10	3,680	(175)	5,591.97	9,027.04
2010-11	3,605	(75)	5,566.38	8,650.65
2011-12	3,503	(102)	5,697.56	8,764.03
2012-13	3,513	10	5,649.45	9,432.30

<sup>(1)</sup> Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Includes County operated programs, but excludes ADA from the District sponsored charter school. An attendance month is each four-week period of instruction beginning with the first day of school for any school district.

<sup>(2)</sup> Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09 and discontinued following the implementation of the LCFF (as defined herein). See also “—Community Funded Districts” herein.

Source: Tahoe-Truckee Unified School District.

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Full implementation of the LCFF occurred over the course of several fiscal years,

during which an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants were adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Beginning in fiscal year 2019-20, the first fiscal year following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" for information on the adjusted Base Grants provided by current State budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2019-20.



**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Fiscal Years 2012-13 and 2019-20**  
**Tahoe-Truckee Unified School District**

<b>Fiscal Year</b>	<b>Average Daily Attendance<sup>(1)</sup></b>					<b>Enrollment</b>	
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>	<b>Total ADA</b>	<b>Total Enrollment<sup>(2)</sup></b>	<b>% of EL/LI Enrollment<sup>(2)</sup></b>
2012-13	1,240	849	518	906	3,513	3,756	n/a
2013-14	1,288	791	486	948	3,513	3,740	47%
2014-15	1,241	825	497	976	3,539	3,766	42
2015-16	1,192	823	522	1,048	3,585	3,797	42
2016-17	1,183	855	544	1,097	3,679	3,941	41
2017-18	1,111	886	519	1,108	3,624	3,921	41
2018-19	1,115	902	540	1,151	3,708	3,955	40
2019-20 <sup>(3)</sup>	1,136	891	561	1,134	3,722	3,978	41

<sup>(1)</sup> Except for fiscal year 2019-20, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Excludes ADA from the District sponsored charter school. An attendance month is each four-week period of instruction beginning with the first day of school for any school district.

<sup>(2)</sup> Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”). Fiscal years 2013-14 through 2018-19 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made by the California Department of Education. Excludes Charter School Enrollment. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students will be based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

<sup>(3)</sup> Budgeted.

Source: *Tahoe-Truckee Unified School District.*

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

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

**Community Funded Districts.** Certain schools districts, known as “Community Funded” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Community Funded school districts receive certain other non LCFF state funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication

for Community Funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District qualifies as a Community Funded district for the 2019-20 fiscal year and expects to remain a Community Funded district. For fiscal year 2017-18, the District's local property tax receipts exceeded the District's total LCFF allocation by \$13,938,404. For fiscal year 2018-19, the District's local property tax receipts exceeded the District's total LCFF allocation by \$14,610,440 and the District projects that local property tax receipts will exceed the District's total LCFF allocation by \$16,082,046 in fiscal year 2019-20.

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

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

**Support and Intervention.** AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP or annual update thereto, and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic

trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

### **Other Revenue Sources**

***Federal and Local Sources.*** The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from leases and rentals, interest earnings, interagency services, developer fees, foundation revenues, parcel taxes and other local sources.

***Parcel Tax.*** Parcel taxes are "special taxes" for purposes of the State Constitution, as and such must be approved by at least two-thirds of the voters voting on the relevant proposition. On November 6, 2018, the voters of the District approved a nine year parcel tax to raise funds to augment the District's operating budget, beginning July 1, 2019. The measure provides for a levy of a tax of \$148 per parcel. The parcel tax provides an exemption for property owners who are 65 years or older and occupy the parcel subject to the tax as their principal residence. The Measure AA Parcel Tax is expected to generate approximately \$5.7 million each fiscal year.

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**Developer Fees.** The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District. The table below sets forth the developer fees collected by the District during the last nine fiscal years and a budgeted amount for the current fiscal year. Developer fees received by the District are an expected a significant source of funds for the payment of lease payments evidencing principle and interest with respect to the Certificates.

**ANNUAL DEVELOPER FEE COLLECTION  
Tahoe-Truckee Unified School District  
Fiscal Years 2010-11 through 2019-20**

<u>Fiscal Year</u>	<u>Developer Fees for the District</u>
2010-11	\$1,215,254
2011-12	1,382,452
2012-13	1,752,266
2013-14	2,190,592
2014-15	2,633,585
2015-16	2,358,896
2016-17	2,609,600
2017-18	2,522,298
2018-19 <sup>(1)</sup>	2,977,401
2019-20 <sup>(2)</sup>	2,325,000

<sup>(1)</sup> Estimated.

<sup>(2)</sup> Budgeted.

*Source: Tahoe-Truckee Unified School District.*

**Foundation.** The District is supported by the Tahoe Truckee Excellence in Education Foundation (the “Foundation”). The Foundation was incorporated in 1986 and is dedicated to enhancing the educational opportunities of the children of the District. The following table lists a history of the annual contributions of the Foundation transferred to the District and awarded for specific purposes.

**FOUNDATION CONTRIBUTIONS  
Tahoe-Truckee Unified School District  
Fiscal Years 2009-10 through 2018-19**

<u>Fiscal Year</u>	<u>Donations</u>
2009-10	\$228,984
2010-11	166,527
2011-12	131,340
2012-13	154,965
2013-14	304,133
2014-15	175,366
2015-16	206,629
2016-17	145,738
2017-18	171,648
2018-19	148,582

*Source: Tahoe-Truckee Unified School District.*

**Redevelopment Revenue.** The District previously received revenue from the Counties as a part of certain redevelopment projects within the Counties (the “Community Redevelopment Revenues”). The Community Redevelopment Revenues received are deposited directly into the unrestricted general fund of the District, and since the District is a Community Funded district, such revenues do not offset the State apportionment received by the District. The District also receives pass-through tax increment revenue (the “Pass Through Revenues”) from the redevelopment agencies within the District’s boundaries. The Pass Through Revenues received by the District are deposited into the restricted general fund of the District and do not offset the State apportionment received by the District. The amount of Community Redevelopment Revenues and Pass-Through Revenues received by the District from fiscal years 2012-13 through 2018-19, and a budgeted amount for fiscal year 2019-20, are shown in the following table.

**COMMUNITY REDEVELOPMENT AND PASS-THROUGH REVENUES**  
**Fiscal Years 2012-13 through 2019-20**  
**Tahoe-Truckee Unified School District**

<b>Fiscal Year</b>	<b>Community Redevelopment Revenues</b>	<b>Pass-Through Revenues</b>
2012-13	\$1,257,498	\$311,048
2013-14	447,238	278,335
2014-15	686,803	329,388
2015-16	1,002,911	346,311
2016-17	1,138,120	379,036
2017-18	1,347,104	419,849
2018-19	1,513,163	491,178
2019-20 <sup>(1)</sup>	1,468,270	451,660

<sup>(1)</sup> Budgeted.

Source: Tahoe-Truckee Unified School District.

**Dissolution of Redevelopment Agencies**

On December 30, 2011, the State Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos (“Matosantos”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABx1 27, a companion bill to ABx1 26, violated the State Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of

the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

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

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

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received . . . had the redevelopment agency existed at that time,” and that the county auditor-controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved using current assessed values...and pursuant to statutory formulas and contractual agreements with other taxing agencies.”

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

The District can make no representations as to the extent to which its base apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

## State Budget Measures

*The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.*

**2019-20 Budget.** On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of \$138 billion and total expenditures of \$142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$20.7 billion, including \$5.4 billion in the traditional general fund reserve, \$14.4 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of \$143.8 billion and authorizes expenditures of \$147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.8 billion, including \$1.4 billion in the traditional general fund reserve, \$16.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of \$376.5 million in order to comply with Proposition 2. The amount is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751."

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at \$81.1 billion. With respect to K-12 education, ongoing per-pupil spending is set at \$11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "– State Funding of Education – Local Control Funding Formula" herein.
- *Settle-Up Payment* – An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.
- *Special Education* – \$645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) \$152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) \$492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.
- *Pension Costs* – A \$3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year

2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining \$2.3 billion would be paid towards employers' long-term unfunded liability. See also "TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT – District Retirement Systems, herein."

- *After School Programs* - \$50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.
- *Teacher Support* - \$43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes \$89.8 million in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.
- *Broadband Infrastructure* - \$7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.
- *Full-Day Kindergarten* - \$300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.
- *Wildfire-Related Cost Adjustments* – An increase of \$2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). However, the information presented on such website is not incorporated herein by reference.

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

### **Investment of District Funds**

Most District funds are deposited with the Treasurer-Tax Collector of the County (the "Treasurer") to the credit of the proper fund of the District. The Treasurer is responsible for the investment of the funds of the County, and certain classes of involuntary depositors such as school districts (including District funds which will be used to make the Lease Payments), community college districts and certain special districts in the County, are required under state law to be deposited into the



County treasury. In addition, certain agencies invest certain of their funds in the County treasury on a voluntary basis. Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the “Investment Pool”). For more information regarding the Investment Pool, see Appendix G – “PLACER COUNTY INVESTMENT POOL.”

### **Accounting Practices**

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

The District’s 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. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. 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 District’s accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District’s fiscal year begins on July 1 and ends on June 30.

### **Comparative Financial Statements**

The District’s general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District’s audited financial statements for the year ended June 30, 2018 are included for reference in Appendix C hereto. The table on the following page shows a summary of the District’s audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

**AUDITED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GENERAL FUND  
Tahoe-Truckee Unified School District  
Fiscal Years 2013-14 through 2017-18**

	<u>Fiscal Year 2013-14</u>	<u>Fiscal Year 2014-15</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2017-18</u>
<b>REVENUES</b>					
LCFF Sources:					
State apportionment	\$2,609,064	\$2,613,944	\$2,623,336	\$2,642,056	\$2,641,732
Local sources	<u>32,989,728</u>	<u>35,286,064</u>	<u>39,395,485</u>	<u>41,849,657</u>	<u>44,584,364</u>
Total Revenue Limit/LCFF	35,598,792	37,900,008	42,018,821	44,491,713	47,226,096
Federal Revenue	1,720,856	2,288,365	1,929,838	1,467,099	1,372,919
Other State Revenue	2,137,044	2,639,553	5,215,823	4,731,843	6,899,288
Other Local Revenue	<u>9,484,247</u>	<u>9,223,710</u>	<u>9,701,513</u>	<u>9,693,035</u>	<u>10,289,583</u>
<b>TOTAL REVENUES</b>	48,940,939	52,051,636	58,865,995	60,383,690	65,787,886
<b>EXPENDITURES:</b>					
Certificated Salaries	22,190,842	23,985,845	25,473,145	26,181,599	27,223,016
Classified Salaries	8,746,807	8,761,600	9,696,483	10,065,896	10,187,698
Employee Benefits	9,097,269	10,445,377	12,113,688	13,675,618	14,972,170
Books & Supplies	2,731,303	3,195,510	3,260,928	3,090,928	2,529,958
Services & Operating Expenses	4,110,847	4,775,783	5,289,055	6,124,968	6,697,753
Capital Outlay	640,192	1,108,017	728,632	1,086,617	2,895,968
Other Outgo	--	172,354	278,644	163,457	145,870
Debt Service:					
Principal retirement	550,314	720,280	765,740	296,551	522,015
Interest	<u>16,536</u>	<u>42,548</u>	<u>33,953</u>	<u>42,936</u>	<u>36,744</u>
<b>TOTAL EXPENDITURES</b>	48,084,110	53,207,314	57,640,268	60,728,570	65,211,192
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	856,829	(1,155,678)	1,225,727	(344,880)	576,694
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In	71,642	81,156	80,127	96,248	92,989
Proceeds from Capital Leases	--	--	285,080	--	--
Proceeds from the issuance bonds	--	--	--	--	639,341
Operating Transfers Out	<u>(197,408)</u>	<u>(548,901)</u>	<u>(803,416)</u>	<u>(847,827)</u>	<u>(762,965)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(125,766)	(467,745)	(438,209)	(751,579)	(30,635)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USED</b>	731,063	(1,623,423)	787,518	(1,096,459)	546,059
<b>FUND BALANCE, JULY 1</b>	<u>13,853,320</u>	<u>14,584,383</u>	<u>12,960,960</u>	<u>13,748,478</u>	<u>12,652,019</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$14,584,383</u>	<u>\$12,960,960</u>	<u>\$13,748,478</u>	<u>\$12,652,019</u>	<u>\$13,198,078</u>

Source: Tahoe-Truckee Unified School District.

## **Budget Process**

***State Budgeting Requirements.*** The District is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585 effective as of September 9, 2014. AB 2585 eliminated the dual budget cycle option for school districts; all school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget’s ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to California Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district’s budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

***Interim Financial Reports.*** Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two sequent fiscal years. Within the past five years, the District has filed, and the county office of education has accepted, positive certifications on all of its interim financial reports.

***General Fund Budgeting.*** The table on the following page show the District’s general fund adopted budgets for the years 2014-15 through 2019-20, audited general fund results for the fiscal years 2014-15 through 2017-18, and estimated ending results for the fiscal year 2018-19.

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**GENERAL FUND BUDGETING**  
**Tahoe-Truckee Unified School District**  
**Fiscal Years 2015-16 through 2019-20**

	<b>Fiscal Year 2015-16</b>		<b>Fiscal Year 2016-17</b>		<b>Fiscal Year 2017-18</b>		<b>Fiscal Year 2018-19</b>		<b>Fiscal Year 2019-20</b>
	<u>Budgeted<sup>(1)</sup></u>	<u>Audited<sup>(1)</sup></u>	<u>Budgeted<sup>(1)</sup></u>	<u>Audited<sup>(1)</sup></u>	<u>Budgeted<sup>(1)</sup></u>	<u>Audited<sup>(1)</sup></u>	<u>Budgeted<sup>(2)</sup></u>	<u>Estimated<sup>(3)</sup></u>	<u>Budget<sup>(3)</sup></u>
<b>REVENUES</b>									
LCFF Sources	\$38,803,134	\$42,018,821	\$43,427,747	\$44,491,713	\$46,067,289	\$47,226,096	\$48,776,462	\$50,401,655	\$53,025,866
Federal Sources	1,931,771	1,929,838	1,528,770	1,467,099	1,435,870	1,372,919	1,226,166	1,403,423	1,405,281
Other State Sources	3,672,813	5,215,823	4,880,905	4,731,843	6,635,632	6,899,288	5,442,825	5,585,519	5,396,888
Other Local Sources	<u>8,652,741</u>	<u>9,701,513</u>	<u>8,728,093</u>	<u>9,693,035</u>	<u>8,793,416</u>	<u>10,289,583</u>	<u>8,997,907</u>	<u>10,013,384</u>	<u>9,958,220</u>
<b>TOTAL REVENUES</b>	53,060,459	58,865,995	58,565,515	60,383,690	62,932,207	65,787,886	64,443,360	67,403,981	69,786,255
<b>EXPENDITURES</b>									
Certificated Salaries	23,707,162	25,473,145	25,580,082	26,181,599	26,845,940	27,223,016	27,489,352	28,994,409	29,367,612
Classified Salaries	9,118,314	9,696,483	9,878,925	10,065,896	10,274,821	10,187,698	10,522,881	10,778,406	11,144,554
Employee Benefits	10,134,445	12,113,688	14,326,583	13,675,618	15,298,351	14,972,170	16,332,159	16,803,356	18,167,781
Books & Supplies	3,362,729	3,260,928	3,121,153	3,090,928	2,563,584	2,529,958	3,530,588	3,755,391	2,836,194
Services & Other Operating Expenses	4,925,146	5,289,055	5,108,030	6,124,968	5,943,858	6,697,753	6,126,623	7,482,542	6,644,670
Capital Outlay	877,705	728,632	863,005	1,086,617	2,662,460	2,895,968	736,697	1,132,523	106,800
Other Outgo <sup>(4)</sup>	276,053	278,644	219,614	163,457	60,296	145,870	736,761	696,761	706,761
Transfer of Indirect/Direct Support	--	--	--	--	--	--	(89,709)	(91,285)	(84,695)
Debt Service:									
Principal retirement	742,828	765,740	284,324	296,551	42,764	522,015	--	--	--
Interest	--	<u>33,953</u>	<u>35,764</u>	<u>42,936</u>	<u>296,324</u>	<u>36,744</u>	--	--	--
<b>TOTAL EXPENDITURES</b>	53,144,382	57,640,268	59,417,480	60,728,570	63,988,398	65,211,192	65,385,352	69,552,103	68,889,677
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(83,923)	1,225,727	(851,965)	(344,880)	(1,056,191)	576,694	(941,992)	(2,148,122)	896,578
<b>OTHER FINANCING SOURCES/(USES)</b>									
Operating Transfers In	75,938	80,127	92,375	96,248	92,989	92,989	--	--	--
Proceeds from Capital Leases	--	285,080	--	--	--	--	--	--	--
Proceeds from the issuance of debt	--	--	--	--	639,341	639,341	--	--	--
Operating Transfers Out	<u>(626,134)</u>	<u>(803,416)</u>	<u>(818,312)</u>	<u>(847,827)</u>	<u>(846,775)</u>	<u>(762,965)</u>	<u>(851,122)</u>	<u>(889,448)</u>	<u>(863,344)</u>
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	(550,196)	(438,209)	(725,937)	(751,579)	(114,445)	(30,635)	(851,122)	(889,448)	(863,344)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	(634,119)	787,518	(1,577,902)	(1,096,459)	(1,170,636)	546,059	(1,793,114)	(3,037,570)	33,234
<b>Fund Balance, July 1</b>	<u>12,960,960</u>	<u>12,960,960</u>	<u>13,748,478</u>	<u>13,748,478</u>	<u>12,652,019</u>	<u>12,652,019</u>	<u>11,329,807</u>	<u>13,198,077</u>	<u>10,160,507</u>
<b>Fund Balance, June 30</b>	<u>\$12,326,841</u>	<u>\$13,748,478</u>	<u>\$12,170,576</u>	<u>\$12,652,019</u>	<u>\$11,481,383</u>	<u>\$13,198,078</u>	<u>\$9,536,693</u>	<u>\$10,160,507</u>	<u>\$10,193,741</u>

<sup>(1)</sup> From the District's Comprehensive Audited Financial Statements for fiscal years 2015-16 through 2017-18, respectively.

<sup>(2)</sup> From the District's First Interim Report for fiscal year 2018-19, approved by the Board on March 20, 2019. The beginning and ending fund balance reflects the funds balances as of the original adopted budget for fiscal year 2018-19.

<sup>(3)</sup> From the District's Adopted Budget for fiscal year 2019-20, approved by the Board on June 21, 2019.

<sup>(4)</sup> The categories "Other Outgo (excluding Transfers of Indirect Costs)" and "Other Outgo- Transfers of Indirect Costs" have been combined for comparison purposes.

Source: Tahoe-Truckee Unified School District.

## District Debt Structure

**Long-Term Debt.** A schedule of changes in long-term debt for the year ended June 30, 2018, is shown below:

<b>Government Activities:</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
Capitalized Lease Obligations	\$1,565,397	\$639,341	\$547,015	\$1,657,723
General Obligation Bonds:				
Current Interest	164,170,000	52,500,000	12,815,000	203,855,000
Capital Appreciation	20,852,789	1,679,943	--	22,532,732
Unamortized Premiums	15,484,220	4,820,468	251,275	20,053,413
Certificates of Participation	760,000	--	760,000	--
Net Pension Liability	57,096,000	7,773,000	--	64,869,000
Net OPEB Obligation	3,058,105	143,378	399,068	2,802,415
Compensated Absences	266,829	--	22,828	244,001
Totals	<u>\$263,253,340</u>	<u>\$67,556,130</u>	<u>\$14,795,186</u>	<u>\$316,014,284</u>

Source: Tahoe-Truckee Unified School District.

**Capitalized Lease Obligations.** The District leases certain equipment under a capital lease purchase agreement. The capitalized value for the equipment was \$3,841,277 with accumulated depreciation of \$2,603,751 as of June 30, 2018. Future minimum lease payments are as follows:

<b>Year Ending June 30</b>	<b>Total Lease Payments</b>
2019	\$583,759
2020	583,759
2021	364,486
2022	<u>204,442</u>
Total	\$1,736,446
Less amount representing interest	(78,723)
Net minimum lease payments	<u>\$1,657,723</u>

**General Obligation Bonds.** The following table summarizes the outstanding general obligation bond issuances of the District, including bonds sold by the District on behalf of the Improvement Districts pursuant to authorizations approved by the respective voters thereof.

### Improvement District No. 1

The District received authorization at an election of the registered voters residing in the territory of School Facilities Improvement District No. 1 of the Tahoe-Truckee Unified School District (“Improvement District No. 1”), which was held on March 2, 1999. At this election, two-thirds or more of the voters voting on the measure approved the issuance of not-to-exceed \$35,000,000 principal amount of general obligation bonds for Improvement District No. 1 (the “SFID No. 1 1999 Authorization”). The District issued two series of bonds under the SFID No. 1 1999 Authorization and no authorization remains.

The District received authorization at an election of the registered voters residing in the territory of the Improvement District No. 1, which was held on November 4, 2014. At this election, 55.55% of the voters voting on the measure approved the issuance of not-to-exceed \$114,000,000 principal amount of general obligation bonds for Improvement District No. 1 (the “SFID No. 1 2014 Authorization”). The

District issued three series of bonds under the SFID No. 1 2014 Authorization and no authorization remains.

Improvement District No. 2

The District received authorization at an election of the registered voters residing in the territory of the (“Improvement District No. 2, and together with Improvement District No. 1 (the “Improvement Districts”), which was held on March 2, 1999. At this election, two-thirds or more of the voters voting on the measure approved the issuance of not-to-exceed \$24,000,000 principal amount of general obligation bonds for Improvement District No. 1 (the “SFID No. 2 1999 Authorization”). The District issued two series of bonds under the SFID No. 2 1999 Authorization and no authorization remains.

The District received authorization at an election of the registered voters residing in the territory of the Improvement District No. 2, which was held on November 4, 2014. At this election, 59.80% of the voters voting on the measure approved the issuance of not-to-exceed \$62,000,000 principal amount of general obligation bonds for Improvement District No. 2 (the “SFID No. 2 2014 Authorization”). The District issued three series of bonds under the SFID No. 2 2014 Authorization and no authorization remains.

<u>Bond Issuance</u>	<u>Initial Principal Amount</u>	<u>Principal Currently Outstanding<sup>(1)</sup></u>	<u>Date of Delivery</u>
<b><u>Improvement District No. 1</u></b>			
Election of 1999 Bonds, Series A	\$25,118,616.80	\$2,123,616.80	October 28, 1999
Election of 1999 Bonds, Series B	9,881,340.00	821,340.00	August 19, 2004
2001 Refunding Bonds <sup>(2)</sup>	21,155,000.00	3,095,000.00	July 11, 2001
2013 Refunding Bonds, Series A <sup>(3)</sup>	3,615,000.00	970,000.00	January 29, 2013
Election of 2014 Bonds, Series A	20,000,000.00	2,840,000.00	March 31, 2015
Election of 2014, Series B	54,000,000.00	54,000,000.00	December 20, 2016
Election of 2014, Series C	\$40,000,000	38,405,000.00	November 8, 2017
<b><u>Improvement District No. 2</u></b>			
Election of 1999 Bonds, Series A	\$18,723,994.40	\$1,573,994.40	October 28, 1999
Election of 1999 Bonds, Series B	5,275,084.00	1,680,084.00	August 19, 2004
2001 Refunding Bonds <sup>(4)</sup>	15,835,000.00	2,310,000.00	July 11, 2001
2012 Refunding Bonds <sup>(5)</sup>	11,605,000.00	8,030,000.00	February 14, 2012
2013 Refunding Bonds, Series B <sup>(6)</sup>	13,450,000.00	9,040,000.00	January 29, 2013
Election of 2014 Bonds, Series A	19,500,000.00	13,010,000.00	March 31, 2015
Election of 2014, Series B	30,000,000.00	30,000,000.00	December 20, 2016
Election of 2014, Series C	\$12,500,000	11,380,000.00	November 8, 2017
<b><u>The District</u></b>			
2004 Refunding Bonds <sup>(7)</sup>	\$4,080,000.00	\$1,425,000.00	September 1, 2004

<sup>(1)</sup> As of August 2, 2019.

<sup>(2)</sup> Advance refunded a portion of Improvement District No. 1’s Election of 1999 Bonds, Series A.

<sup>(3)</sup> Advance refunded a portion of the Improvement District No. 1’s Election of 1999, Series B Bonds.

<sup>(4)</sup> Advance refunded a portion of Improvement District No. 2’s Election of 1999 Bonds, Series A.

<sup>(5)</sup> Advance refunded a portion of Improvement District No. 2’s Election of 2002 Bonds, Series A.

<sup>(6)</sup> Advance refunded a portion of the Improvement District No. 2’s Election of 1999, Series B Bonds and Election of 2002, Series B Bonds.

<sup>(7)</sup> Advance refunded the District’s 1993 General Obligation Bonds, Series B.

<sup>(8)</sup> Currently refunded the District’s 1998 General Obligation Refunding Bonds.

The following tables show the annual debt service on general obligation bonds issued by the District and the Improvement District (and assuming no optional redemptions):

**GENERAL OBLIGATION BONDED DEBT SERVICE  
Tahoe Truckee Unified School District**

<b>Year (Aug. 1)</b>	<b>2004 Refunding Bonds</b>	<b>Total Debt Service</b>
2020	<u>\$1,510,500.00</u>	<u>\$1,510,500.00</u>
Total	<u>\$1,510,500.00</u>	<u>\$1,510,500.00</u>

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**GENERAL OBLIGATION BONDED DEBT SERVICE**  
**Tahoe Truckee Unified School District**  
**Improvement District No. 1**

<b>Year (Aug. 1)</b>	<b>Election of 1999 Series A Bonds</b>	<b>Election of 1999 Series B Bonds</b>	<b>2001 Refunding Bonds</b>	<b>2013 Refunding Bonds, Series A</b>	<b>Election of 2014 Series A Bonds</b>	<b>Election of 2014 Series B Bonds</b>	<b>Election of 2014 Series C Bonds</b>	<b>Total Debt Service</b>
2020	--	--	\$3,265,225.00	\$334,900.00	\$98,262.50	\$3,310,000.00	\$3,975,050.00	\$10,983,437.50
2021	\$3,430,000.00	--	--	278,100.00	98,262.50	3,424,500.00	2,743,250.00	9,974,112.50
2022	3,600,000.00	--	--	223,100.00	98,262.50	3,536,750.00	2,830,950.00	10,289,062.50
2023	3,780,000.00	--	--	119,900.00	98,262.50	3,651,500.00	2,929,750.00	10,579,412.50
2024	3,970,000.00	--	--	115,500.00	98,262.50	3,773,250.00	3,024,200.00	10,981,212.50
2025	--	\$3,000,000.00	--	--	98,262.50	3,901,250.00	3,117,700.00	10,117,212.50
2026	--	--	--	--	98,262.50	4,029,750.00	3,221,950.00	7,349,962.50
2027	--	--	--	--	98,262.50	4,153,250.00	3,340,950.00	7,592,462.50
2028	--	--	--	--	148,262.50	4,266,500.00	3,423,450.00	7,838,212.50
2029	--	--	--	--	156,762.50	4,404,500.00	3,530,700.00	8,091,962.50
2030	--	--	--	--	159,962.50	4,550,500.00	3,643,850.00	8,354,312.50
2031	--	--	--	--	168,012.50	4,693,500.00	3,765,050.00	8,626,562.50
2032	--	--	--	--	170,668.76	4,853,000.00	3,884,850.00	8,908,518.76
2033	--	--	--	--	178,068.76	5,007,500.00	4,008,600.00	9,194,168.76
2034	--	--	--	--	180,143.76	5,171,500.00	3,424,750.00	8,776,393.76
2035	--	--	--	--	187,056.26	5,333,750.00	--	5,520,806.26
2036	--	--	--	--	193,643.76	5,508,500.00	--	5,702,143.76
2037	--	--	--	--	199,618.76	5,689,250.00	--	5,888,868.76
2038	--	--	--	--	205,243.76	5,874,750.00	--	6,079,993.76
2039	--	--	--	--	215,518.76	6,063,750.00	--	6,279,268.76
2040	--	--	--	--	220,268.76	--	--	220,268.76
2041	--	--	--	--	229,668.76	--	--	229,668.76
2042	--	--	--	--	238,543.76	--	--	238,543.76
2043	--	--	--	--	241,893.76	--	--	241,893.76
2044	--	--	--	--	249,893.76	--	--	249,893.76
2045	--	--	--	--	262,368.76	--	--	262,368.76
2046	--	--	--	--	268,850.00	--	--	268,850.00
2047	--	--	--	--	279,787.50	--	--	279,787.50
<b>Total</b>	<b><u>\$14,780,000.00</u></b>	<b><u>\$3,000,000.00</u></b>	<b><u>\$3,265,225.00</u></b>	<b><u>\$1,071,500.00</u></b>	<b><u>\$4,940,337.64</u></b>	<b><u>\$91,197,250.00</u></b>	<b><u>\$50,865,050.00</u></b>	<b><u>\$169,119,362.64</u></b>

**GENERAL OBLIGATION BONDED DEBT SERVICE**  
**Tahoe Truckee Unified School District**  
**Improvement District No. 2**

<b>Year (Aug. 1)</b>	<b>Election of 1999 Series A Bonds</b>	<b>Election of 1999 Series B Bonds</b>	<b>2001 Refunding Bonds</b>	<b>2012 Refunding Bonds</b>	<b>2013 Refunding Bonds, Series B</b>	<b>Election of 2014 Series A Bonds</b>	<b>Election of 2014 Series B Bonds</b>	<b>Election of 2014 Series C Bonds</b>	<b>Total Debt Service</b>
2020	--	--	\$2,437,050.00	\$954,175.00	\$1,032,337.50	\$488,931.26	\$1,705,000.00	\$862,800.00	\$7,480,293.76
2021	\$2,560,000.00	--	--	952,375.00	1,000,337.50	488,931.26	1,774,750.00	736,550.00	7,512,943.76
2022	2,690,000.00	--	--	956,100.00	1,013,537.50	488,931.26	1,840,500.00	770,550.00	7,759,618.76
2023	2,820,000.00	--	--	953,250.00	990,137.50	488,931.26	1,907,250.00	802,050.00	7,961,618.76
2024	2,965,000.00	--	--	955,250.00	941,537.50	488,931.26	1,984,750.00	831,050.00	8,166,518.76
2025	--	\$2,800,000.00	--	951,250.00	901,787.50	488,931.26	2,057,250.00	867,550.00	8,066,768.76
2026	--	3,000,000.00	--	951,650.00	907,287.50	498,931.26	2,129,750.00	896,050.00	8,383,668.76
2027	--	--	--	956,300.00	905,787.50	528,618.76	2,192,000.00	916,800.00	5,499,506.26
2028	--	--	--	960,050.00	894,750.00	567,368.76	2,249,250.00	940,050.00	5,611,468.76
2029	--	--	--	957,900.00	906,500.00	604,868.76	2,306,500.00	965,550.00	5,741,318.76
2030	--	--	--	--	1,877,200.00	646,118.76	2,368,500.00	990,550.00	5,882,368.76
2031	--	--	--	--	--	690,962.50	2,429,750.00	1,011,400.00	4,132,112.50
2032	--	--	--	--	--	733,706.26	2,495,000.00	1,040,900.00	4,269,606.26
2033	--	--	--	--	--	779,762.50	2,558,750.00	1,068,750.00	4,407,262.50
2034	--	--	--	--	--	828,962.50	2,620,750.00	1,099,950.00	4,549,662.50
2035	--	--	--	--	--	886,137.50	2,690,750.00	1,119,350.00	4,696,237.50
2036	--	--	--	--	--	940,950.00	2,753,000.00	592,250.00	4,286,200.00
2037	--	--	--	--	--	993,400.00	2,827,500.00	--	3,820,900.00
2038	--	--	--	--	--	1,057,750.00	2,903,250.00	--	3,961,000.00
2039	--	--	--	--	--	1,119,125.00	2,974,750.00	--	4,093,875.00
2040	--	--	--	--	--	1,187,525.00	3,046,750.00	--	4,234,275.00
2041	--	--	--	--	--	1,257,600.00	3,123,750.00	--	4,381,350.00
2042	--	--	--	--	--	1,329,400.00	--	--	1,329,400.00
2043	--	--	--	--	--	1,406,800.00	--	--	1,406,800.00
2044	--	--	--	--	--	1,489,400.00	--	--	1,489,400.00
2045	--	--	--	--	--	1,571,800.00	--	--	1,571,800.00
2046	--	--	--	--	--	1,658,800.00	--	--	1,658,800.00
<b>Total</b>	<b><u>\$11,035,000.00</u></b>	<b><u>\$5,800,000.00</u></b>	<b><u>\$2,437,050.00</u></b>	<b><u>\$9,548,300.00</u></b>	<b><u>\$11,371,200.00</u></b>	<b><u>\$23,711,575.12</u></b>	<b><u>\$52,939,500.00</u></b>	<b><u>\$15,512,150.00</u></b>	<b><u>\$132,354,775.12</u></b>

## **Ad Valorem Property Taxation**

*The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of ad valorem or other taxation. Each Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor.*

District property taxes are assessed and collected by the Counties at the same time and on the same tax rolls as county, city and special district property taxes. Assessed valuations are the same for both the District and the Counties' taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The Counties levy and collect all property taxes for property falling within the respective county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of \$10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and 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 Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified

property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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## Assessed Valuations

The assessed valuation of property in the District is established by the respective county assessors, except for public utility property which is assessed by the State Board of Equalization (“SBE”). Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the State Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS” herein.

The following table represents an 12-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August at each year.

<b>ASSESSED VALUATIONS</b>				
<b>Fiscal Years 2008-09 through 2019-20</b>				
<b>Tahoe-Truckee Unified School District</b>				
	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
<b><u>El Dorado County Portion</u></b>				
2008-09	\$733,146,167	\$0	\$3,404,831	\$736,550,998
2009-10	764,745,578	0	3,589,664	768,335,242
2010-11	729,123,598	0	3,732,939	732,856,537
2011-12	737,858,600	0	4,225,930	742,084,530
2012-13	749,105,345	0	4,545,589	753,650,934
2013-14	801,655,939	0	4,162,398	805,818,337
2014-15	\$866,421,846	0	5,625,456	872,047,302
2015-16	\$936,871,578	0	6,525,823	943,397,401
2016-17	\$984,673,904	0	6,769,806	991,443,710
2017-18	1,034,535,773	0	6,197,015	1,040,732,788
2018-19	1,106,781,250	0	6,418,229	1,113,199,479
2019-20	1,143,842,084	0	5,917,383	1,149,759,467
<b><u>Nevada County Portion</u></b>				
2008-09	\$5,626,604,411	\$5,689,844	\$124,652,538	\$5,756,946,793
2009-10	5,810,615,279	5,689,844	130,262,435	5,946,567,558
2010-11	5,482,473,996	5,689,710	128,461,705	5,616,625,411
2011-12	5,184,042,706	3,587,529	118,693,679	5,306,323,914
2012-13	5,211,595,126	3,360,456	122,486,476	5,337,442,058
2013-14	5,286,824,709	3,360,308	125,269,739	5,415,454,756
2014-15	5,530,899,102	3,360,160	130,410,426	5,664,669,688
2015-16	5,896,041,124	2,869,870	129,973,897	6,028,884,891
2016-17	6,182,308,933	2,870,018	128,721,257	6,313,900,208
2017-18	6,550,033,503	2,870,032	126,022,730	6,678,926,265
2018-19	7,024,704,826	2,750,032	144,920,698	7,172,375,556
2019-20	7,364,635,903	2,903,635	163,821,415	7,531,360,953

(continued on next page)

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
<b><u>Placer County Portion</u></b>				
2008-09	\$9,617,424,557	\$4,287,081	\$179,423,443	\$9,801,135,081
2009-10	10,112,602,920	4,065,508	175,586,804	10,292,255,232
2010-11	9,694,813,137	4,065,508	163,498,807	9,862,377,452
2011-12	9,706,809,014	4,065,508	155,699,823	9,866,574,345
2012-13	9,781,062,252	4,065,508	166,870,852	9,951,998,612
2013-14	10,124,736,770	2,651,477	182,622,254	10,310,010,501
2014-15	10,637,541,322	2,651,477	189,775,913	10,829,968,712
2015-16	12,021,669,161	2,358,977	191,879,303	12,215,907,441
2016-17	12,585,471,012	2,358,977	194,910,615	12,782,740,604
2017-18	13,329,214,888	2,470,924	194,381,234	13,526,067,046
2018-19	14,174,492,534	2,470,924	202,542,408	14,379,505,866
2019-20	15,048,518,421	2,470,924	214,480,241	15,265,469,586
<b><u>Total District</u></b>				
2008-09	\$15,977,175,135	\$9,976,925	\$307,480,812	\$16,294,632,872
2009-10	16,687,963,777	9,755,352	309,438,903	17,007,158,032
2010-11	15,906,410,731	9,755,218	295,693,451	16,211,859,400
2011-12	15,628,710,320	7,653,037	278,619,432	15,914,982,789
2012-13	15,741,762,723	7,425,964	293,902,917	16,043,091,604
2013-14	16,213,217,418	6,011,785	312,054,391	16,531,283,594
2014-15	17,034,862,270	6,011,637	325,811,795	17,366,685,702
2015-16	18,854,581,863	5,228,847	328,379,023	19,188,189,733
2016-17	19,752,453,849	5,228,995	330,401,678	20,088,084,522
2017-18	20,913,784,164	5,340,956	326,600,979	21,245,726,099
2018-19	22,305,978,610	5,220,956	353,881,335	22,665,080,901
2019-20	23,556,996,408	5,374,559	384,219,039	23,946,590,006

Source: California Municipal Statistics, Inc for fiscal years 2008-09 through 2018-19 and the Auditor-Controllers of Placer County, Nevada County and El Dorado County, respectively, for fiscal year 2019-20.

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

### **Alternative Method of Tax Apportionment**

The Boards of Supervisors of each of the Counties has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the Counties apportion secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the Counties act as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all secured tax levies for which each such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections. The Teeter Plan does not apply to the supplemental property taxes for El Dorado County.

The *ad valorem* property tax to be levied to pay the interest on and principal of the District's outstanding general obligation bonds is subject to the Teeter Plan. The District will receive 100% of the secured *ad valorem* property tax levied in the Counties to pay the District's outstanding general obligation bonds irrespective of actual delinquencies in the collection of the tax by the Counties.

The Teeter Plan is to remain in effect in each County unless the Board of Supervisors of such County orders its discontinuance or unless, prior to the commencement of any fiscal year of either thereof (which commences on July 1 for each of the Counties), the Board of Supervisors of such County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the applicable county, in which event the Board of Supervisors of the applicable County is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of any of the Counties 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 such county if the rate of secure 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 the Board of Supervisors of such County is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

### **Statement of Direct and Overlapping Debt**

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

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown

in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT  
Tahoe-Truckee Unified School District**

**2018-19 Assessed Valuation:** \$22,665,080,901

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 7/1/19</u></b>
Sierra Joint Community College District School Facilities Improvement District No. 1	100.000%	\$26,125,973
Los Rios Community College District	0.569	2,254,321
<b>Tahoe-Truckee Joint Unified School District</b>	<b>100.000</b>	<b>2,790,000</b> <sup>(1)</sup>
<b>Tahoe-Truckee Joint Unified School District School Facilities Improvement District No. 1</b>	<b>100.000</b>	<b>110,859,957</b>
<b>Tahoe-Truckee Joint Unified School District School Facilities Improvement District No. 2</b>	<b>100.000</b>	<b>82,589,078</b>
Tahoe Forest Hospital District	99.935	98,855,702
North Star Community Services District Community Facilities District No. 1	100.000	104,705,000
Truckee Donner Public Utility District Community Facilities District No. 03-1 & 04-1	100.000	<u>39,334,800</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$467,514,831</b>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>		
El Dorado County General Fund Obligations	3.336%	\$1,906,190
Nevada County and Office of Education General Fund Obligations	36.361	12,605,827
Placer County General Fund Obligations and Office of Education Certificates of Participation	18.956	4,942,777
Sierra Joint Community College District Certificates of Participation	21.514	801,612
Northstar Community Services District Certificates of Participation	100.000	4,280,000
Town of Truckee General Fund Obligations	100.000	8,118,000
Truckee-Donner Recreation and Park District Certificates of Participation	100.000	18,935,000
Placer Mosquito & Vector Control District Certificates of Participation	18.956	<u>554,463</u>
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$52,143,869</b>
<b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u></b>		
Placer County Redevelopment Agency Housing Bonds	61.316%	\$11,600,987
Truckee Redevelopment Agency	100.000	<u>12,225,000</u>
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$23,825,987</b>
<b>COMBINED TOTAL DEBT</b>		<b>\$543,484,687</b> <sup>(2)</sup>

**Ratios to 2018-19 Assessed Valuation:**

<b>Direct Debt (\$2,790,000)</b> .....	<b>0.01%</b>
<b>Combined Direct Debt (\$196,239,035)</b> .....	<b>0.87%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	2.06%
Combined Total Debt .....	2.40%

**Ratios to Redevelopment Incremental Valuation (\$1,155,747,470):**

Total Overlapping Tax Increment Debt .....	2.06%
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<sup>(1)</sup> Excludes the Certificates.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.



## TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT

### Introduction

The District is a Community Funded district, which was established in 1949 and is located in Placer County, Nevada County and El Dorado County in the Sierra Nevada Mountain Range near Lake Tahoe. The District operates five elementary schools, two middle schools, two high schools, one alternative school and one continuation school. The District's ADA for fiscal year 2018-19 was 3,708 students and the District has budgeted an ADA of 3,722 students for fiscal year 2019-20.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the district and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Tahoe-Truckee Unified School District, 11603 Donner Pass Road, Truckee, California 96161, Attention: Executive Director of Business Services.

### Administration

The District is governed by a five-member Board of Education, each of whom is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Kim Szczurek	President	November 2022
Gaylan Larson	Clerk	November 2022
Dianna Driller	Member	November 2022
Cris Hennessey	Member	November 2020
Kirsten Livak	Member	November 2020

The management and policies of the District are administered by a Superintendent/Chief Learning Officer appointed by the Board, who is responsible for the day-to-day District operations as well as the supervision of the District's other personnel. Currently, Dr. Robert Leri is the Superintendent/Chief Learning Officer of the District. Brief biographies of key personnel are listed below.

***Dr. Robert Leri, Superintendent/Chief Learning Officer.*** Dr. Leri was appointed as Superintendent/Chief Learning Officer of the District on April 2, 2012. Immediately prior to serving the District, Dr. Leri served the Arcadia Unified School District, as Deputy Superintendent, Educational Services and Programs from 2008 to 2012 and as Director of Assessment, Technology and Information Services from 1996 to 2008. Dr. Leri has also served the Ceres Unified School District for eight years as Director of Science, Technology and Media Services, and as an administrator, teacher and coordinator. Dr. Leri received his doctorate and master's degrees in education from the University of La Verne, and a bachelor of arts in Asian studies and journalism from San Diego State University.

***Todd Rivera, Executive Director of Business Services.*** Mr. Rivera was appointed as the Executive Director of Business Services/Chief Business Official on April 15, 2015. Prior to this appointment, Mr. Rivera served the District as the Manager of Budget and Payroll from 2012 to 2015 and as a Facilities Planner/Fiscal Analyst from 2005 to 2012. Prior to working for the District, Mr. Rivera

was a consultant providing facilities planning services and financial analysis for California school districts. He also served in the United States Marine Corps for four years as a Long-range Aviation RADAR repairman. Mr. Rivera holds a bachelor's degree in Policy Analysis and Management from Cornell University and is a certified Chief Business Official through the California Association of School Business Officials.

**Average Daily Attendance and Enrollment**

On average throughout the District, the regular education pupil-teacher ratio is approximately 20:1 for grades K-3, 24:1 in grades 4-6, 28:1 in grades 6-8, and 30:1 in grades 9-12. The following table reflects the ADA and enrollment of the District for the last 12 years, and a projection for the current fiscal year.

**AVERAGE DAILY ATTENDANCE AND ENROLLMENT<sup>(1)</sup>  
Tahoe-Truckee Unified School District  
Fiscal Years 2007-08 through 2019-20**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Enrollment<sup>(2)</sup></u>
2007-08	3,845	4,090
2008-09	3,855	4,114
2009-10	3,680	3,949
2010-11	3,605	3,845
2011-12	3,503	3,731
2012-13	3,513	3,756
2013-14	3,513	3,740
2014-15	3,539	3,766
2015-16	3,585	3,797
2016-17	3,679	3,941
2017-18	3,624	3,921
2018-19	3,708	3,955
2019-20 <sup>(3)</sup>	3,722	3,978

<sup>(1)</sup> Net of charter school enrollment. See “—Charter Schools” herein.

<sup>(2)</sup> Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”). Fiscal years 2013-14 through 2018-19 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment.

<sup>(3)</sup> Projected.

Source: *Tahoe-Truckee Unified School District.*

## Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47663) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California’s charter school law states that local boards are the primary charter-approving agency and that county board of education can approve a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to both independent and District operated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District’s audited financial statements. District operated charter schools receive their funding through the District, and would be reflected in the District’s audited financial statements.

The District has five independent charter schools currently operating within the District, one of which is a District approved charter school (collectively, the “Charter Schools”). Due to the District’s Community Funded District status, the District is required to pay the base funding portion of the LCFF transition calculation to the District-sponsored charter school. These amounts are paid from the District’s property taxes and are incorporated into the budget as a contra-revenue. The following table shows enrollment figures for the District-approved independent Charter School for the past seven fiscal years and a projection for the current fiscal year.

**CHARTER SCHOOL ENROLLMENT**  
**Fiscal Years 2012-13 through 2019-20**  
**Tahoe-Truckee Unified School District**

<u>Fiscal Year</u>	<u>District-Sponsored Charter Schools</u>
2012-13	161
2013-14	210
2014-15	212
2015-16	212
2016-17	212
2017-18	212
2018-19	212
2019-20 <sup>(1)</sup>	212

<sup>(1)</sup> Projected.

Source: Tahoe-Truckee Unified School District, based on October CBEDS enrollment.

The District can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from the Charter Schools, and the corresponding financial impact on the District.

## Labor Relations

The District currently employs 281 full-time equivalent (“FTE”) certificated employees, and 210 FTE classified employees. District employees, except management and some part-time employees, are represented by two employee bargaining units as follows:

### LABOR BARGAINING UNITS Tahoe-Truckee Unified School District

<u>Labor Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
Tahoe-Truckee Education Association	287	June 30, 2020
California School Employees Association, Local #383	220	June 30, 2020

*Source: Tahoe-Truckee Unified School District.*

## District Retirement Systems

*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, the Municipal Advisor, or the Underwriter.*

**STRS.** All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the “STRS Defined Benefit Program”). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“AB 1469”) into law as a part of the State’s fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS.

Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES  
STRS (Defined Benefit Program)**

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

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*Source: AB 1469.*

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

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

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES  
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

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*Source: AB 1469.*

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

adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 (“SB 90”) into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher’s Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer’s share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See also, “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

The District’s contributions to STRS were \$1,608,752 in fiscal year 2012-13, \$1,801,717 in fiscal year 2013-14, \$2,080,255 in fiscal year 2014-15, \$2,650,024 in fiscal year 2015-16, \$3,222,130 in fiscal year 2016-17 and \$3,460,000 for fiscal year 2017-18. The District has currently estimates \$4,656,766 for its contribution to STRS for fiscal year 2018-19 and has budgeted \$4,866,026 for its contribution to STRS for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State’s contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State’s contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the “SBPA”), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

**PERS.** Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund (“PERF”). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently

required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See “—California Public Employees’ Pension Reform Act of 2013” herein.

Pursuant to SB 90, the State Legislature appropriated \$144 for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred to the Public Employees’ Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See also, “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

The District’s contributions to PERS were \$870,870 in fiscal year 2012-13, \$978,191 in fiscal year 2013-14, \$1,093,936 in fiscal year 2014-15, \$1,224,444 in fiscal year 2015-16, \$1,524,277 for fiscal year 2016-17, and \$1,695,191 for fiscal year 2017-18. The District has currently estimates \$2,181,825 for its contribution to PERS for fiscal year 2018-19 and has budgeted a contribution of \$2,606,890 to PERS for fiscal year 2019-20.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS (Schools Pool)**  
**(Dollar Amounts in Millions)<sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2017-18**

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)<sup>(2)</sup></u>	<u>Unfunded Liability (MVA)<sup>(2)</sup></u>	<u>Value of Trust Assets (AVA)<sup>(3)</sup></u>	<u>Unfunded Liability (AVA)<sup>(3)</sup></u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)<sup>(3)</sup></u>	<u>Unfunded Liability (AVA)<sup>(3)</sup></u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	73,325	56,814	16,511	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	77,544	55,785	21,759	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2016-17	84,416	60,865	23,551	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2017-18 <sup>(5)</sup>	92,071	64,846	27,225	-- <sup>(4)</sup>	-- <sup>(4)</sup>

(1) Amounts may not add due to rounding.

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

(3) Reflects actuarial value of assets.

(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the



2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the “2017 STRS Actuarial Valuation”), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the “2018 STRS Actuarial Valuation”) reports that the unfunded actuarial obligation decreased by \$109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

***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 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired

after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

***GASB Statement Nos. 67 and 68.*** On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District’s proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2017, are as shown in the following table.

<b>Pension Plan</b>	<b>Net Pension Liability</b>	<b>Deferred Outflows Related to Pensions</b>	<b>Deferred Inflows Related to Pensions</b>	<b>Pension Expense</b>
STRS	\$44,518,000	\$13,074,663	\$3,329,000	\$5,929,851
PERS	<u>20,351,000</u>	<u>6,499,738</u>	<u>285,000</u>	<u>3,758,277</u>
Total	<u>\$64,869,000</u>	<u>\$19,574,401</u>	<u>\$3,614,000</u>	<u>\$9,688,128</u>

Source: Tahoe-Truckee Unified School District.

For additional information regarding the Statements, see also Appendix C – “2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 7” and “-Note 8” herein.

### Other Post-Employment Benefits

**Benefit Plan.** The District provides post-employment medical, dental and vision benefits (the “Benefits”) to retirees of the District (and their dependents) meeting certain eligibility requirements. The following table summarizes the Benefits plan of the District.

	<b>Certificated<sup>(1)</sup></b>	<b>Classified<sup>(1)</sup></b>	<b>Confidential<sup>(1)</sup></b>	<b>Management<sup>(1)</sup></b>
Duration of Benefits	To age 65	To age 65	10 years, but not beyond age 65	To age 65
Required Years of Service	20	20	10	5
Minimum Age	55	55	50	50/55 <sup>(4)</sup>
District Contribution Percentage	100%	Variable <sup>(2)</sup>	100%	100%
District Cap for All Groups		Employee Only: \$8,900 Employee + 1 Dependent: \$10,300 Employee + Family: \$14,100		

<sup>(1)</sup> Employees of each class are only eligible for Benefits if hired prior to a certain date, as follows: Certificated prior to June 30, 1988; Classified prior to September 1, 1988; Confidential and Management prior to October 17, 2006.

<sup>(2)</sup> The District contributes 75% of current insurance premiums at age 55, 80% at age 56, 90% at age 57 and 100% at ages 58 to 65.

<sup>(3)</sup> Reflects cap for current retirees only. The cap is frozen at retirement.

<sup>(4)</sup> Depending on retirement system.

Source: Tahoe-Truckee Unified School District.

As of the last Study (defined below), there were 34 retirees eligible for and currently receiving Benefits and 23 active plan members.

**Funding Policy.** Expenditures for the Benefits are each recognized on a pay-as-you-go basis to cover the cost of premiums for current retirees. For fiscal years 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18 the District recognized \$420,217, \$428,684, \$439,317, \$394,688, and \$346,309 respectively of expenditures for the Benefits. The District currently estimates \$306,872 as its contribution for fiscal year 2018-19 and has budgeted a contribution of \$258,975 in fiscal year 2019-20.

The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 74”) and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial

actuarial valuations for all plans. The actuarial study, dated as of September 10, 2018 (the “Study”), concluded that, as of June 30, 2017, the Total OPEB Liability (the “TOL”) with respect to such benefits, was \$2,802,415. Because the District does not maintain a qualifying irrevocable trust, the District’s Net OPEB Liability (the “NOL”) is equal to the TOL. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees’ past service based on the actuarial cost method used. The FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP. The TOE is the annual change in the District’s NOL, with deferred recognition provided for certain items. For more information regarding the District’s other post-employment benefit liability, see “2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9” attached hereto” attached hereto for more information.

***GASB Statement Nos. 74 and 75.*** On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statement Nos. 43 and 57, and GASB Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the NOL, to be recognized on the balance sheet of the plan and the participating employer’s financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan’s net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan’s fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the TOL, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future FNP is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District will first recognize GASB Statement No. 74 and GASB Statement No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time.

## **Risk Management**

As of fiscal year 2018-19, the District is a member of (1) School Insurance Group, a joint powers agency (the “JPA”) under a joint powers agreement, for workers’ compensation and property/liability insurance. Membership in the JPA includes other California school districts. The JPA is independently accountable for their fiscal matters, and thus are not components of the District for financial reporting purposes.

There are currently no pending claims against the District. For the past three fiscal years, settled claims have not exceeded available insurance coverages.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS**

### **Article XIII A of the California Constitution**

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described below. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition.

## **Legislation Implementing Article XIII A**

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

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

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

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

## **Proposition 50 and Proposition 171**

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located

within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction

### **Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is a basic aid district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

### **Article XIII B of the California Constitution**

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

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in the State per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.



For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

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

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

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" below.

### **Article XIII C and Article XIII D of the California Constitution**

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed

to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (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 XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

### **Propositions 98 and 111**

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

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional 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 can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitations 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:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. 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.
- c. 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.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 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 “Test 1”) 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 “Test 2”). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, 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 Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools (also referred to as a “maintenance factor”) which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Jarvis v. Connell**

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

### **Proposition 1A and Proposition 22**

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources.

Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

### **Proposition 55**

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

## **Proposition 2**

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

**SB 858.** Senate Bill 858 (“SB 858”) became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the State Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the State Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

**SB 751.** Senate Bill 751 (“SB 751”), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

## **Proposition 51**

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds for the new construction and modernization of K-14 facilities.

***K-12 School Facilities.*** Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

***Community College Facilities.*** Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual State budget process.

The District has submitted applications for Proposition 51 State facilities funding but makes no guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 39, 22, 26, 30, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the



portion of each Lease Payment constituting interest with respect to the Certificates is exempt from State of California personal income tax.

The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of the same series and maturity is to be sold to the public) and the stated prepayment price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate. The amount of original issue discount that accrues to the owner of the Certificate is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Special Counsel's opinion as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) on the Certificates is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that the portion of each Lease Payment constituting interest (and original issue discount) on the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) on the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

The amount by which a Certificate owner's original basis for determining loss on sale or exchange in the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Certificate premium, which must be amortized under Section 171 of the Code; such amortizable Certificate premium reduces the Certificate owner's basis in the applicable Certificate (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Certificate premium may result in a Certificate owner realizing a taxable gain when a Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar certificates).

SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE CERTIFICATES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE

CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE CERTIFICATES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE CERTIFICATES.

Special Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special Counsel expresses no opinion as to the effect on the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) for federal income tax purposes if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix B.

#### **CERTAIN LEGAL MATTERS**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Certificates. The payment of fees of Special Counsel is contingent upon the closing of the Certificates transaction. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by Katten Muchin Rosenman LLP, New York, New York, and for the Trustee and the Corporation by their respective counsels.

#### **ENHANCED REPORTING REQUIREMENTS**

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to/ file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

## FINANCIAL STATEMENTS

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Crowe LLP (the "Auditor"), are included in this Official Statement as Appendix C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

## CONTINUING DISCLOSURE

***Current Undertaking.*** The District will covenant in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the Certificates to provide Annual Reports, commencing with the report of Fiscal Year ending June 30, 2018, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Market Municipal Access ("EMMA"), located at [www.emma.msrb.com](http://www.emma.msrb.com). The information on such website is not incorporated herein by any reference. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix D - "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

***Prior Undertakings.*** Within the past five years, the District failed to file in a timely manner notices of certain enumerated events, as required by its existing continuing disclosure obligations. The District has retained Keygent LLC, El Segundo, California, to assist it in preparing and filing the annual reports and notices of enumerated events required under its existing continuing disclosure obligations with respect to the District's outstanding general obligation bonds, including the Bonds.

## ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation in any material respect affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to lease the Property back from the Corporation, the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease.

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

## RATINGS

The Certificates are expected to be assigned a rating of “AA,” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) based upon the issuance of the Policy by BAM on the delivery date of the Certificates. The Certificates have also been assigned an underlying rating of “AA-” from S&P. The ratings reflect only the views of such rating agency, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA notices of any rating changes on the Certificates. See Appendix D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Certificates are directed to S&P, its website and official media outlets for the most current rating changes with respect to the Certificates after the initial execution and delivery thereof.

## UNDERWRITING

***Purchase of Certificates.*** The Certificates are being purchased by Wells Fargo Bank, National Association, as Underwriter. The Underwriter has agreed, pursuant to a purchase contract (the “Purchase Contract”) by and between the District and the Underwriter, to purchase the Certificates at the purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of \$\_\_\_\_\_, plus [net] original issue premium of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_). The Purchase Contract provides that the Underwriter will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Contract of Purchase.

The Underwriter may offer and sell the Certificates to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

***Underwriter Disclosures.*** The Underwriter has provided the following paragraph for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should be construed as a representation of the District:

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange

Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), the sole underwriter of the Certificates, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Certificates. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Certificates with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Certificates. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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**MISCELLANEOUS**

The references herein to the Lease, the Site Lease, the Trust Agreement, the Assignment Agreement and the Escrow Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the District and following delivery of the Certificates will be on file at the Principal Office of the Trustee in San Francisco, California.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement 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 Certificates.

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

**TAHOE-TRUCKEE UNIFIED SCHOOL  
DISTRICT**

By: \_\_\_\_\_  
Dr. Robert Leri  
Superintendent/Chief Learning Officer

## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following is a brief summary of certain provisions of the legal documents related to the Certificates which are not described in the Official Statement to which this Appendix is attached. This summary is not intended to be definitive and is qualified in its entirety by reference to fully-executed Site Lease, Lease, Assignment Agreement and Trust Agreement for the complete terms thereof. Copies of the Site Lease, the Lease, the Assignment Agreement and the Trust Agreement are available upon request from the District.*

#### **DEFINITIONS**

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined therein or elsewhere in the Official Statement have the meanings set forth in the Lease or the Trust Agreement.

“Accountant” means a nationally recognized firm of certified public accountants acceptable to the Insurer.

“Additional Certificates” means certificates of participation authorized by a supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

“Additional Payments” means all amounts payable by the District as Additional Payments as defined in the Lease.

“Administrative Costs” means any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer’s or the Reserve Insurer’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Trust Agreement or the Certificates. For purposes of the foregoing, costs and expenses will include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer or Reserve Insurer spent in connection with the actions described in the preceding sentence.

“Asbestos Containing Materials” means material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummingtonite-grunerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

“Assignment Agreement” means the Assignment Agreement related to the Certificates, dated as of the date thereof, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

“Available Coverage” means the coverage then available for disbursement pursuant to the terms of any applicable Reserve Facility without regard to the legal or financial ability or willingness of the provider of such Reserve Facility to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

“BAM Policy Payment” means the total of all amounts paid by the Insurer under the Policy.

“BAM Reimbursement Amounts” a sum equal to (i) the BAM Policy Payment, and (ii) interest on such BAM Policy Payments from the date paid by the Insurer until payment thereof in full by the District, payable to the Insurer at the Late Payment Rate per annum, compounded semi-annually.

“Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through

nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the State of New York or the State of California or the state in which the Principal Office of the Trustee is located are authorized or required by law or executive order to remain closed.

“Certificate” or “Certificates” means the Tahoe-Truckee Unified School District, Certificates of Participation (2019 School Financing Project), and any Additional Certificates executed and delivered by the Trustee pursuant to the Trust Agreement.

“Certificate of Completion” means a certificate of the District Representative stating that all components of the Project have been completed or concluded in conformity with the requirements of the Lease.

“Certificate Payment Date” means June 1 and December 1 of each year commencing June 1 with respect to the interest payments evidenced by the Certificates and June 1 of each year commencing December 1, 2019 with respect to the principal payments evidenced by the Certificates.

“Certificate Year” will have the meaning assigned to such term in the Tax Certificate.

“Closing Date” means the date on which the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of the Closing Date, executed by the District as it may be amended from time to time in accordance with the terms thereof.

“Contract of Purchase” means that certain contract for the purchase of the Certificates dated as of September \_\_, 2019 by and between the District and the Original Purchaser, relating to the sale and delivery of the Certificates.

“Corporation” means the Tahoe Truckee Unified School District Financing Corporation, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Corporation Representative” means the President, Vice President, Treasurer, Secretary or Executive Director of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease and the Trust Agreement.

“Defeasance Securities” means (i) Government Obligations, and (ii) evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Delivery Costs” means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the Project, including but not limited to costs provided in the Contract of Purchase with the Original Purchaser, the premium for any insurance policies purchased to guarantee payment of the Certificates and to satisfy the Reserve Requirement, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel, legal and financial advisory fees and charges, financing and other professional consultant fees, costs of rating agencies and costs of providing information to such



rating agencies, any computer and other expenses incurred in connection with the Certificates, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Delivery Costs Requisition” means a written requisition for the payment of Delivery Costs substantially in the form attached as an exhibit to the Trust Agreement.

“Depository” means DTC; or, such other securities depositories or to such depositories as the District may designate in writing to the Trustee, or any other securities depository acting as Depository pursuant to the Trust Agreement.

“District” means the Tahoe-Truckee Unified School District, a school district organized and existing under the laws and Constitution of the State, and its successors and assigns.

“District Representative” means the Superintendent/Chief Learning Officer of the District, the Executive Director of Business Services, or any other person authorized by the Superintendent/Chief Learning Officer or the Executive Director of Business Services of the District to act on behalf of the District with respect to the Lease or the Trust Agreement.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as initial Depository for the Certificates.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

“Event of Default” means an event of default under the Lease, as defined in the Lease.

“Fiscal Year” means the fiscal year of the District commencing July 1 and ending June 30 of the next year.

“Government Obligations” means non-callable (i) United States Treasury Obligations, (ii) obligations fully and unconditionally guaranteed as to payment of principal and interest by the United States of America, or (iii) obligations fully and unconditionally guaranteed as to payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the District.

“Independent Insurance Consultant” means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the District is to be self-insured, as may from time to time be designated by the District.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in a certificate to the Trustee or as the Trustee may select.

“Insolvency Proceeding” means, for purposes of the Trust Agreement, any proceeding by or against the Corporation or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

“Insurance Policy” or “Policy” means the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal and interest with respect to the Certificates when due.

“Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“Insurer Default” means: (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer shall voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

“Late Payment Rate” means the lesser of (a) the greater of (i) Prime Rate (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Laws and Regulations” means any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

“Lease” means the Lease/Purchase Agreement related to the Certificates, dated as of September 1, 2019, by and between the District and the Corporation, and any duly authorized and executed amendments thereto.

“Lease Payment” means any payment required to be paid by the District to the Corporation pursuant to the Lease.

“Lease Payment Date” means the Lease Payment Date defined in the Lease.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Lease Proceeds” means any proceeds of re-letting or any other disposition of the Property pursuant to the Lease.

“Lease Year” means the period extending from June 1 of each calendar year to May 31 of the subsequent calendar year (as applicable), provided that the first Lease Year will commence on the Closing Date and end on May 31, 2019.

“Lessor” means the Tahoe Truckee Unified School District Financing Corporation, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates making reference to the DTC Operational Arrangements, as it may be amended from time to time setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the District and the Trustee delivered to and accepted by the Depository.

“Moody’s” means Moody’s Investors Service, or any successors or assigns thereto.

“Net Proceeds” means any proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

“Net Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Opinion of Counsel” means a legal opinion issued by Special Counsel addressed to the District, the Corporation and the Trustee.

“Original Purchaser” means Wells Fargo Bank, National Association, as original purchaser of the Certificates on the Closing Date.

“Outstanding” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Lease) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates for the payment or prepayment of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate is registered on the registration books maintained by the Trustee.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, which are not then delinquent, or which the District may, pursuant to provisions of the Lease, permit to remain unpaid; (ii) the Assignment Agreement; (iii) the Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by

law to the extent permitted under the Lease; (vi) easements, rights of way, mineral rights, cell tower leases, the subordinated lease-lease back agreements by and between the District and the developer in connection with the construction and delivery of those portions of the Project undertaken on the Property, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the Lessor, the District, and the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) consent in writing.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for money proposed to be invested therein:

(a) For all purposes, including investments to accomplish a defeasance pursuant to the Trust Agreement, Defeasance Securities.

(b) For all purposes other than investments to accomplish a defeasance pursuant to the Trust Agreement, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Housing Administration debentures.

(ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)  
Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)  
Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)  
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)  
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)  
Senior debt obligations  
Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)  
Debt obligations
- Resolution Funding Corporation (REFCORP)  
Debt obligations

(iii) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P or “Prime-1” by Moody’s, which may include the Trustee and its affiliates.

(iv) Deposits in banks which have capital and surplus of at least \$15 million.

(v) Commercial paper (having original maturities of not more than 30 days) rated at the time of purchase “A-1+” or better by S&P and “Prime-1” by Moody’s.

(vi) Money market funds rated in the highest rating category by S&P and Moody’s, including funds for which the Trustee, its parent company, if any, or any affiliates or subsidiaries of the Trustee provide investment advising or other management services

(vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.

(ix) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(x) Pre-refunded municipal obligations rated by S&P and Moody’s at least as high as direct and general obligations of the United States of America, meeting the following requirements:

1. such municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for such municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

2. such municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

3. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on such municipal obligations (“Verification”);

4. the cash or United States Treasury Obligations serving as security for such municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

5. no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

6. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(xi) Repurchase agreements entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P or “Aa” and Moody’s and acceptable to the Insurer (each an “Eligible Provider”), provided that:

1. the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

2. the Trustee or a third party acting solely as agent therefor or for the District (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and the collateral is marked to market;

3. the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee, the District and the Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

4. the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

5. the repurchase agreement will state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian is in possession);

6. all other requirements of each Rating Agency in respect of repurchase agreements are met;

7. the repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if the repurchase agreement has a term of 270 days or less (with no evergreen provisions), collateral levels need not be as specified in (1) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(xii) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's; or in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least as high as direct and general obligations of the United States of America by S&P and Moody's; provided that, by the terms of the investment agreement:

1. interest payments are to be made to the Trustee at times and in amounts as necessary to pay Lease Payments (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

2. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the District and the Trustee have agreed to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

3. the provider will send monthly reports to the Trustee, the Insurer and the District setting forth the balance the District or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

4. the investment agreement will state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

5. the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

6. the District, the Insurer and the Trustee will receive an opinion of domestic counsel (which will be addressed to the District and the Insurer), to the effect that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

7. the District, the Insurer and the Trustee will receive an opinion of foreign counsel to the provider (if applicable) (in a form and substance acceptable to, and addressed to the District, the Insurer and the Trustee), to the effect that (a) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

8. the investment agreement will provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider will, at its option, within ten (10) days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as an agent therefor (a "Custodian") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee;

9. in the event the provider is required to collateralize, permitted collateral will include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations will be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee, the Insurer and the District setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

10. the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian in possession) and;

11. the investment agreement must provide that if during its term: (i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate, and (ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate; and

(xiii) Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its name.

“Policy Costs” means costs owed to the Reserve Insurer and representing the repayment of draws and Administrative Costs, and accrued interest thereon, at the Late Payment Rate.

“Prepayment” means any payment made by the District pursuant to the Lease as a prepayment of Lease Payments.

“Prepayment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Prime Rate” means the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such changed is announced by JP Morgan Chase Bank).

“Principal Office” means the principal corporate trust office of the Trustee in St. Paul, Minnesota, or such other office as the Trustee may inform the District of, provided that for transfer, exchange, registration, surrender and payment of Certificates, such term means the office of the Trustee in St. Paul, Minnesota, or such other address as the Trustee may inform the District, or the principal office of any successor trustee pursuant to the Trust Agreement.

“Project” means the project described in the Lease and any and all substitutions thereto, as provided in the Lease.

“Project Cost Requisition” means a written requisition for the payment of Project Costs substantially in the form attached as an exhibit to the Trust Agreement.

“Project Costs” means, with respect to any item or portion of the Project, the contract price paid or to be paid therefor upon acquisition, construction, procurement or improvement thereof, in accordance with a purchase order or contract therefor. Project Costs include, but are not limited to, the administrative, engineering, legal, financial and other costs incurred by the District and the Corporation in connection with the acquisition, construction, procurement, remodeling or improvement of the Project, all applicable sales taxes and other charges resulting from such construction, procurement, remodeling or improvement of the Project and the costs associated with making rebate calculations required by the Code.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Property” means the site or sites described in the Lease, and the school facilities located thereon.

“Rating Agency” means any nationally-recognized credit rating agency that maintains a current credit rating with respect to the Certificates.

“Record Date” means the close of business on the fifteenth day of the month preceding each Certificate Payment Date, whether or not such fifteenth day is a Business Day.

“Related Document” means each of the Lease, the Site Lease and the Assignment Agreement.

“Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee, including the Reserve Policy, pursuant to the provisions of the Trust Agreement summarized under “THE TRUST AGREEMENT – Reserve Fund” herein.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.



Reserve Insurer” means Build America Mutual Assurance Company, or any successor thereto.

Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Reserve Insurer to initially satisfy the Reserve Requirement.

Reserve Replenishment Rent” means Reserve Replenishment Rent payable pursuant to the Lease.

Reserve Requirement” means, as of any calculation date, the lesser of (1) the maximum aggregate annual Lease Payments (in any Fiscal Year) then payable under the Lease, (2) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (3) 10% of the original face amount of the Certificates and/or the Additional Certificates, as applicable (less original issue discount if in excess of two percent (2%) of the stated prepayment amount at maturity).

Responsible Officer” means, with respect to the Trustee, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter relating to the Trust Agreement is referred because of his or her knowledge of and familiarity with, a particular subject.

S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successors or assigns thereto.

Security Document” means each of the Trust Agreement, the Site Lease, the Lease, the Certificates, the Assignment Agreement, and any other transaction document or agreement defined as such in the Policy.

Site Lease” means the Site Lease related to the Certificates, dated as of September 1, 2019, by and between the Corporation and the District.

Special Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the District.

State” means the State of California.

Tax Certificate” means the Tax Certificate of the District, dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates executed and delivered to the District on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

Term” means the time during which the Lease is in effect, as provided in the Lease.

Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, and any successor trustee.

Trust Agreement” or Agreement” means the Trust Agreement, together with any amendments thereof or supplements thereto permitted to be made thereunder.

United States Treasury Obligations” means non-callable direct obligations of the United States of America (other than obligations subject to variation in principal repayment).

## THE LEASE AGREEMENT

### ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT

**Deposit of Certificate Proceeds.** On the Closing Date, the Lessor has agreed to pay or cause to be paid to the District the proceeds of the sale of the Certificates, which moneys to be deposited with the Trustee as provided in the Trust Agreement.

**Completion of the Project.** The District will arrange for, supervise and provide for, or cause to be supervised and provided for, the construction and completion of the Project. The District will enter into one or more contracts or purchase orders providing for completion of the Project.

**Payment of Project and Delivery Costs.** Payment of the Project Costs and Delivery Costs will be made from the moneys deposited with the Trustee in the Project Fund as provided in the Trust Agreement, which will be disbursed in accordance and upon compliance with the Trust Agreement.

**Completion Certification.** Upon completion of all portions of the Project to be financed with the Certificates, satisfactory to the District, the District will deliver to the Trustee a Certificate of Completion with respect thereto. On the date of filing the Certificate of Completion, as indicated therein, all excess moneys remaining in the Project Fund will be transferred by the Trustee in accordance with the Trust Agreement.

**Substitution of or Addition to the Project.** The District will have the right to substitute alternate items for any portion of the Project listed in the Lease or provide for additional components of the Project by providing the Trustee with a written certificate in the form contained in the Lease as an exhibit and so long as such substitution or addition does not cause, in and of itself, the interest represented by the Certificates to be included in gross income for federal income tax purposes.

#### **Compliance with Law.**

Public Bidding. The District will comply with all applicable provisions for bids and contracts prescribed by law, including, without limitation, the Public Contract Code, the Education Code, and the Government Code of the State.

Wage Rates and Working Hours. The District will comply with all applicable provisions relating to prevailing wage rates and working hours, as applicable, required by the Education Code of the State.

Field Act Compliance. If applicable, the District will acquire, construct and install the Project in such manner as to comply with the Field Act.

Plans and Specifications. If applicable, the District will prepare and adopt plans and specifications for the acquisition, construction and installation of the Project or portions thereof pursuant to the Education Code of the State.

Further Assurances and Corrective Instruments. The Lessor and the District have agreed that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Lease.

### AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

**Lease.** The Lessor has leased the Property to the District, and the District has leased the Property from the Lessor, upon the terms and conditions set forth in the Lease. The Lease will not operate as a merger of the District's

leasehold estate in the Property pursuant to the Lease and its fee estate in the Property and will not cause the extinguishment of the leasehold interest granted to the Lessor under the Site Lease.

**Term.** The Term of the Lease will commence on the date of execution thereof and will end on June 1, 20\_\_, unless extended pursuant to the Lease, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the District and the election of the Lessor (or its assignees) to terminate the Lease under the Lease;

(b) Payment of All Lease Payments. The payment by the District of all Lease Payments and Reserve Replenishment Rent required under the Lease and any Additional Payments required under the Lease; or

(c) Prepayment. The deposit of funds or Government Obligations with the Trustee in amounts sufficient to pay all Lease Payments as the same will become due, as provided by the Lease and as provided by the Trust Agreement; or

(d) Purchase. Upon the exercise by the District of its option to purchase all of the Lessor's interest in the Property as provided in the Lease; provided, however, that upon exercise by the District of its option to purchase the Lessor's interest in a portion of the Property, as provided in the Lease, the Lease will be terminated only with respect to that portion of the Property.

**Extension of Lease Term.** If (i) on June 1, 20\_\_, the Certificates have not been fully paid, or (ii) if the Lease Payments thereunder shall have been abated at any time and for any reason not paid from the proceeds of rental interruption insurance pursuant to the Lease, or (iii) any amount shall be due to the Insurer or Reserve Insurer with respect to the Insurance Policy or the Reserve Policy, respectively, then the Term will be extended until such Certificates, Lease Payments or amounts due shall be fully paid, except that the Term will in no event be extended beyond June 1 20\_\_.

#### **Lease Payments.**

(a) Time and Amount. Subject to the provisions of the Lease regarding abatement in event of loss of use of any portion of the Property, regarding option to purchase and regarding prepayment of Lease Payments, the District has agreed to pay to the Lessor, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into components of principal and interest, the interest component being paid semiannually) in the amounts specified in the Lease, to be due and payable in arrears on the fifteenth (15th) day of the month (or if such day is not a Business Day, the next succeeding Business Day) immediately preceding the respective Certificate Payment Dates as specified in the Lease (the "Lease Payment Date") which are sufficient in both time and amount to pay when due the annual principal and semiannual interest represented by the Certificates.

In the event the District does not pay a Lease Payment due on the respective Lease Payment Date, the Trustee will provide prompt written notice to the District and the Insurer of such failure to pay (with a copy to the Insurer); provided, however, that failure to give such notice will not excuse any event of default under the Lease.

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than accrued or capitalized interest, which will be credited as provided in the Trust Agreement, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of principal with respect to any Certificates not presented for payment or interest) will be credited towards the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the Lease Payments required in the Lease, the Lease Payment in default will continue as an obligation of the District until the amount in default will have been fully paid, and the District has agreed to pay the same with interest thereon, to the

extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then Outstanding.

(d) Reserve Replenishment Rent. In the event that:

(i) funds have been withdrawn from the Reserve Fund or if a draw has been made upon the Reserve Policy held therein has been made in order to pay interest or principal represented by the Certificates or if there shall be a deficiency in the Reserve Fund resulting from a decrease of 10% or more in the market value of the Permitted Investments in the Reserve Fund or the Lease Payment Fund determined as provided in the Trust Agreement, and

(ii) Lease Payments are not then in abatement pursuant to the Lease, and

(iii) the amount of such Lease Payments is less than the fair rental value of the Property, and

(iv) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments,

then the District will pay from its first legally available moneys after payment of Lease Payments, to the Trustee, Reserve Replenishment Rent in the amount of the deficiency, or, in the case of a draw on the Reserve Policy, in an amount necessary to reimburse the Reserve Insurer for the repayment of the amount drawn on the Reserve Policy, including interest thereon at the Late Payment Rate, consistent in each case with such fair rental value

(A) (1) over a period of not more than four months, in four (4) substantially equal payments, in the event of a deficiency from a decrease in the market value of Permitted Investments on deposit in the Reserve Fund or the Lease Payment Fund; or (2) over a period of not more than twelve months, in twelve substantially equal monthly payments in the event of either a deficiency from a withdrawal of amounts in the Reserve Fund or a draw on the Reserve Policy; and

(B) from the first moneys legally available therefor provided that such payment is consistent with the fair market rental value of the Property, or

(C) if such payments summarized in clause (A) or (B) are inconsistent with fair market rental value, in such maximum amounts as shall be consistent with fair rental value on each Lease Payment Date until the amount of such Reserve Replenishment Rent paid equals the amount of funds withdrawn from the Reserve Fund or drawn on the Reserve Policy (including in such amount interest accrued in respect of such drawing at the Late Payment Rate) or upon any other Reserve Facility to pay interest or principal represented by the Certificates or the decrease in value of Permitted Investments in the Reserve Fund or the Lease Payment Fund.

**No Withholding.** Notwithstanding any dispute between the Lessor and the District, including a dispute as to the failure of any portion of the Property in use by or possession of the District to perform the task for which it is leased, the District will make all Lease Payments, Reserve Replenishment Rent and Additional Payments when due and will not withhold any Lease Payments, Reserve Replenishment Rent or Additional Payments pending the final resolution of such dispute.

**Fair Rental Value.** The Lease Payments will be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments are to be paid. The parties thereto have agreed and determined that such total rental represents the fair rental value of the Property. In making such determination, consideration has been given to the insured replacement value of the Property, other obligation of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits

therefrom which will accrue to the District and the general public, and the transfer of the Lessor's leasehold interest in the Property at the end of the Term. In the event that the District and the Trustee, as assignee of the Lessor, agree subsequent to the date thereof that Lease Payments thereunder are less than the fair rental value of the Property, the District and the Trustee may mutually agree that the District will increase the Lease Payments payable thereunder to reflect such fair rental value.

**Budget and Appropriation.** The District has covenanted to take such action as may be necessary to include in its annual budget and make all necessary annual appropriations for all Lease Payments, Reserve Replenishment Rent and Additional Payments (to the extent the amounts of such Reserve Replenishment Rent and Additional Payments are known to the District at the time its annual budget is proposed), and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts will be included and maintained in such budget as amended. During the Term of the Lease, the District will furnish annually, on or before June 30 of each year, to the Trustee a certificate of the District Representative stating that all Lease Payments, Reserve Replenishment Rent and Additional Payments due thereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included. The covenants on the part of the District contained in the Trust Agreement will be deemed to be and will be construed to be duties imposed by law and it will be the ministerial duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the District.

**Assignment of Lease Payments.** Certain of the Lessor's rights under the Lease, including the right to receive and enforce payment of the Lease Payments, Reserve Replenishment Rent, Additional Payments, and Prepayments, to be made by the District thereunder, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District thereby consents. The Lessor thereby directs the District, and the District has agreed, to pay to the Trustee at the Trustee's corporate trust office in St. Paul, Minnesota, or to the Trustee at such other place as the Trustee will direct in writing, all Lease Payments, Additional Payments, Reserve Replenishment Rent or Prepayments thereof payable by the District thereunder. The Lessor will not assign or pledge the Lease Payments, Additional Payments, Reserve Replenishment Rent or other amounts derived from the Property and from its other rights under the Lease except as provided under the terms of the Lease, the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under the Lease, and any assignments in contravention thereof will be void.

**Use and Possession.** The total Lease Payments due in any Fiscal Year will be for the District's right to use and possession of the Property for such Fiscal Year.

**Abatement of Lease Payments in Event of Loss of Use.**

(a) Period. The obligation of the District to pay Lease Payments, Additional Payments and Reserve Replenishment Rent will be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Property there is substantial interference with the District's right to use and possession of such portion of the Property.

(b) Amount. The amount of such abatement will be determined by the District such that the resulting Lease Payments and Reserve Replenishment Rent represent fair consideration for the District's right to use and possession of the portion of the Property not damaged, destroyed or taken. The District will calculate such abatement and will provide the Trustee and the Insurer with a certificate setting forth such calculations and the basis therefor (with a copy to the Insurer). Such abatement will commence with such damage, destruction or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, available moneys on deposit in the Reserve Fund or Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, will be applied to pay the Lease Payments.

(c) Repair or Replacement. In the event of such abatement, the District will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds, subject to the requirements of the Lease, or special funds of the District or other moneys the application of which would, in the opinion of Special Counsel addressed to the Trustee, the District, the Insurer and the Lessor, not result

in the obligations of the District thereunder constituting indebtedness of the District in contravention of the Constitution and laws of the State.

**Additional Payments.** In addition to the Lease Payments, the District will also pay such amounts (“Additional Payments”) as will be required for the payment of all administrative costs of the Lessor relating to the Property or the Certificates, including without limitation, amounts due by the District to the Insurer and the Reserve Insurer, including all amounts due pursuant to the Trust Agreement (and excepting for Reserve Replenishment Rent due pursuant to provisions summarized under the heading “—Lease Payments – Reserve Replenishment Rent herein), all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, all fees and expenses owed to the Lessor under the Lease, taxes of any sort whatsoever payable by the Lessor as a result of its interest in the Property or undertaking of the transactions contemplated therein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, all other necessary administrative costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease or to indemnify the Lessor and its employees, officers and directors, the Corporation and its agents, successors and assigns and the Trustee.

**Net-Net-Net Lease.** The Lease will be deemed and construed to be a “net-net-net lease” and the District has agreed that the Lease Payments will be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided therein.

## INSURANCE

### **Public Liability and Property Damage.**

(a) **Coverage.** The District will maintain or cause to be maintained, throughout the Term thereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District, the Lessor and their officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of any District property or portion thereof.

(b) **Limits.** Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to a deductible clause of not to exceed \$50,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth therein.

(c) **Joint or Self-Insurance.** Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to compliance with the Lease, may be maintained in the form of self-insurance by the District.

(d) **Payment of Net Proceeds.** The Net Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds will have been paid.

**Workers’ Compensation.** The District will also maintain workers’ compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers’ Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto.

### **Casualty and Theft Insurance.**

(a) Casualty and Theft Insurance: Coverage. The District will procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, insurance against loss or damage to any portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance, but excluding earthquake and flood insurance to the extent not commercially available at a reasonable cost in the judgment of the District. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(b) Amount. Such insurance will be in an amount (except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss) not less than the greater of (i) replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding.

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to compliance with the Lease thereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance will be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in the Lease.

### **Rental Interruption Insurance.**

(a) Coverage and Amount. The District will maintain or cause to be maintained rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in the Lease. Notwithstanding the foregoing, rental interruption insurance will not be provided in connection with earthquake or flood events unless commercially available at a reasonable cost in the judgment of the District. Such rental interruption insurance will name the Trustee and the Lessor as additionally secured parties and may not be provided in the form of self-insurance.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income insurance carried by the District.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance will be paid to the Trustee and deposited (1) in the Reserve Fund to make up any deficiencies therein or draws therefrom or a drawing upon the Reserve Policy, and (2) in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

**Title Insurance.** The District will obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy, in form and substance acceptable to the Insurer, in an amount equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies will insure (a) the fee interest of the District in the Property, (b) the Lessor's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of the title insurance obtained pursuant thereto or required thereby will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Certificate Owners.

### **General Insurance Provisions.**

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to the Lease and any statements of self-insurance will be in a form certified by an insurance agent, broker or consultant to

the District to comply with the provisions thereof. All such policies will provide that the District will give the Trustee and the Insurer thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby, and will be provided by carriers rated in the two highest rating categories without regard to modifiers by S&P or Moody's and at least "A" by A.M. Best Company, Inc. Each policy of insurance required to be procured and maintained pursuant to provisions of the Lease regarding casualty and theft insurance, regarding rental interruption insurance and regarding title insurance will provide that the Trustee and the Corporation is an additional insured and all proceeds thereunder will be payable to the Trustee for the benefit of the Owners.

(b) Payment of Premiums. The District will pay or cause to be paid when due the premiums for all insurance policies required by the Lease, and will promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee will not be responsible for the sufficiency or adequacy of any insurance therein required and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District.

(d) Evidence of Insurance. The District will cause to be delivered to the Trustee and the Insurer annually on or before July 1 a certificate stating that the insurance policies required by the Lease are in full force and effect.

(e) Self Insurance. The District may only elect to self-insure pursuant to the Lease, with the consent of the Insurer, if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Lessor and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other schools districts in the State other than the District. Any self-insurance maintained by the District pursuant to the Lease will comply with the following terms:

(i) The self-insurance program will be approved in writing by an Independent Insurance Consultant;

(ii) The self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid; the adequacy of such fund will be evaluated on an annual basis by an Independent Insurance Consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of such Independent Insurance Consultant;

(iii) The self-insured claims reserve fund will be held in a separate trust fund by an independent trustee, which may be the Trustee; and

(iv) In the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Independent Insurance Consultant, will be maintained.

**Cooperation.** The Lessor will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

## **DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS**

### **Application of Net Proceeds.**

(a) Deposit in Net Proceeds Fund. The District will remit promptly to the Trustee any Net Proceeds received by the District and the Trustee, pursuant to the Trust Agreement, will deposit such Net Proceeds of insurance which it receives in the Net Proceeds Fund as provided in sections the Lease regarding casualty and theft insurance or regarding title insurance, promptly upon receipt thereof. The District and/or the Lessor will transfer to the Trustee any other Net Proceeds received by the District and/or Lessor in the event of any accident, destruction,



theft or taking by eminent domain or condemnation with respect to the Property, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the certification described in paragraph (i) below, the requisition described in paragraph (ii) below, and the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in the Trust Agreement.

(i) Certification. The District Representative must certify to the Lessor and the Trustee (with a copy to the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy) that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the District to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are expected to equal at least 110% of the projected costs of replacement or repair (or such lesser percentage as may be consented to by the Insurer) as demonstrated in an attached reconstruction budget, and

(B) Timely Completion. In the event that damage, destruction or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds, as described in the Lease together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The District Representative must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed and after payment or provision for payment of all Certificates as provided in the Trust Agreement will be paid to the District after payment of amounts due the Trustee pursuant to the Trust Agreement, and any amounts due to the Insurer.

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee (with a copy to the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy) in writing of the District's determination that the certification provided in the Lease cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee will (with the prior written consent of the Insurer), promptly transfer the Net Proceeds to the Prepayment Fund as provided in the Trust Agreement and apply them to prepayment of the Certificates as provided in the Trust Agreement and prepayment of Lease Payments as provided in the Lease; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and Reserve Fund are not sufficient to prepay all the Certificates then Outstanding, then the District will not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District. In such event, the District will proceed to repair, replace or improve the Property as described therein from legally available funds in the then-current Fiscal Year and will make the required notification to the Trustee pursuant to the Trust Agreement and the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the requisition as provided therein.

## COVENANTS WITH RESPECT TO THE PROPERTY

**Use of the Property.** The District represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

### **Interest in the Property and the Lease.**

(a) Lessor Holds Leasehold Interest During Term. During the Term of the Lease, the Lessor does and will hold a leasehold interest in the Property pursuant to the Site Lease. The District will take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of the Lease.

(b) Title Transferred to the District at End of Term. Upon expiration of the Term as provided in the Lease thereof, all right, title and interest of the Lessor in and to all of the Property will be transferred to and vest in the District, without the necessity of any additional document of transfer.

**Option to Purchase.** The District may exercise an option to purchase the Lessor's interest under the Site Lease and the Lease in the Property by depositing with the Trustee cash and/or Government Obligations as provided in the Trust Agreement. In such event, all or a portion of the obligations of the District under the Lease, and the security provided by the Lease for said obligations or said portion of the obligations, will cease and terminate as provided in the Lease, excepting in the case all of the Lessor's interest has been purchased, only the obligation of the District to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments, Reserve Replenishment Rent and Additional Payments under the Lease, and any other amounts owed to the Insurer or Reserve Insurer, have been paid in full, on the date of said deposit, the Lessor's interest in the Property will revert and transfer to the District automatically and without further action by the District or the Lessor, and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of the Lessor's interests in the Property. In the event Lease Payments under the Lease have been paid in part only, on the date of said deposit, the District will (with the written consent of the Insurer) specify a discrete portion of the Lessor's interest in the Property for reversion and transfer to the District and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of such portion of the Lessor's interest in the Property; provided, that such portion will revert and transfer to the District only if the reduction in the fair rental value of the Property effected by such reversion and transfer at the time of such reversion and transfer is proportionately less than or equal to the reduction in the maximum annual Lease Payments under the Lease effected by such purchase. Any such deposit will be deemed to be and will constitute a special fund for the payment of Lease Payments in accordance with the Lease.

**Quiet Enjoyment.** During the Term, the Lessor will provide the District with quiet use and enjoyment of the Property, and the District will during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Lessor, or any person or entity claiming under or through the Lessor except as expressly set forth in the Lease. The Lessor will, at the request of the District, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor will have the right to inspect the Property as provided in the Lease.

**Installation of the District's Personal Property.** The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon any portion of the Property. All such items will remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Lessor nor the Trustee will have any interest, and may be modified or removed by the District at any time; provided that the District will repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in the Lease will prevent the District from purchasing items to be installed pursuant to the Lease, provided that no lien or security interest will attach to any part of the Property.

**Access to the Property.** The District has agreed that the Lessor, any Corporation Representative and the Lessor's successors, assigns or designees will have the right at all reasonable times to enter upon the Property or any portion thereof to examine and inspect the Property. The District has further agreed that the Lessor, any such Corporation Representative, and the Lessor's successors, assigns or designees will have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations thereunder.

#### **Maintenance, Utilities, Taxes and Assessments.**

(a) **Maintenance; Repair and Replacement.** Throughout the Term of the Lease, as part of the consideration for the rental of the Property, all repair and maintenance of the Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any sublessee thereof. In exchange for the Lease Payments therein provided, the Lessor has agreed to provide only the Property, as thereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver will not limit any of the rights of the District under the terms of the Lease.

(b) **Tax and Assessments; Utility Charges.** The District will also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Lessor or the District or levied, assessed or charged against any portion of the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease as and when the same become due.

(c) **Contests.** The District may, upon notice to the Insurer, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; provided that prior to such nonpayment it will furnish the Lessor, the Trustee and the Insurer with the opinion of an Independent Counsel acceptable to the Lessor, Insurer and the Trustee, to the effect that, by nonpayment of any such items, the interest of the Lessor in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the District will promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Lessor and the Insurer. The Lessor will cooperate fully in such contest, upon the request and at the expense of the District.

#### **Modification of the Property.**

(a) **Additions, Modifications and Improvements.** Following the completion of the Project, the District will, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. Unless otherwise specifically contracted for, all such additions, modifications and improvements will thereafter comprise part of the Property and be subject to the provisions of the Lease. Such additions, modifications and improvements will not in any way damage any portion of the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest components of Lease Payments; and the Property, upon completion of any additions, modifications and improvements made pursuant to the Lease, will be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) **No Liens.** Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to the Lease; provided that if any such lien is established and the District will first notify or cause to be notified the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Lessor with full security against any loss or forfeiture which might arise from the

nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Lessor). The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. Following completion of the Project, the District will, at its own expense, have the right to make replacements (but only with the prior written consent of the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy), or make additional redevelopments, replacements or renovations to all or a portion of the Property if the following conditions precedent are satisfied:

(i) If the replacement, redevelopment or renovation should reasonably be expected to materially affect the District's use of the Property, the District receives an opinion of Special Counsel, a copy of which the District will furnish to the Lessor, the Insurer, and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion of the interest component of Lease Payments attributable to the Certificates or the State tax-exempt status of the interest components of the Lease Payments, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in Lease, the District will deposit moneys with the Trustee in advance for payment of Lease Payments from special funds of the District or other moneys, the application of which would not, in the opinion of Special Counsel (a copy of which shall have been delivered to the Insurer and the Trustee), result in such Lease Payments constituting indebtedness of the District in contravention of the Constitution and laws of the State;

(iii) The District will certify to the Insurer and the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(iv) In the case of replacement or redevelopment, the District certifies to the Insurer and the Trustee that the annual fair rental value of the replacements will be at least equal to the lesser of (1) the annual fair rental value of the Property immediately prior to such replacement or redevelopment, or (2) 150% of the maximum annual Lease Payments under this Lease.

**Encumbrances; Alternative Financing Methods.**

(a) Encumbrances. Except as provided in the Lease, the District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Lessor and the District as therein provided. Except as expressly provided in the Lease, the District will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the District may contest such liens if it desires to do so. The District will reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the District may, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims will at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the District will have first delivered to the Insurer and the Trustee an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not, in and of themselves, result in the inclusion of the interest portion of Lease Payments in the gross income of the owners of such Certificates for purposes of federal income taxation or impair the State tax-exempt status of the interest portion of such payments.

**Lessor's Disclaimer of Warranties.** THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION,

MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event will the Lessor be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease, the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or the District's use and possession of the Property.

**District's Right to Enforce Warranties of Vendors or Contractors.** The Lessor has irrevocably appointed the District its agent and attorney-in-fact during the Term of the Lease, so long as the District will not be in default thereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Property which the Lessor may have against any vendor or contractor. The District's sole remedy for the breach of any such warranty, indemnification or representation will be against the vendor or contractor with respect thereto, and not against the Lessor, nor will such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to the Lease, including the right to receive full and timely Lease Payments and all other payments due thereunder. The District will be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor will, upon the District's request and at the District's expense, do all things and take all such actions as the District may request in connection with the assertion of any such claims and rights.

**Substitution or Release of the Property.** The District will, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), have the right to substitute alternate real property for any portion of the Property described in the Lease thereto or to release a portion of the Property from the lien of the Lease by providing the Trustee with a supplement to the Lease substantially in the form attached thereto. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any substitution or release pursuant to the Lease, there will be no reduction in or abatement of the Lease Payments due from the District thereunder as a result of such substitution. No substitution or release will be permitted thereunder unless:

(a) the District finds that the substituted real property (i) has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments secured by the Property to be released being payable by the District pursuant to the Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining term of the Lease Payments thereunder;

(b) the District obtains or causes to be obtained a CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners. Such policy will comply with the Lease, will be in a form satisfactory to the Trustee, the Insurer and the Lessor, will be in the amount equal to the principal component of Lease Payments attributable to the substituted real property, and will insure the leasehold interest or the fee simple interest of the Lessor or the District, as applicable, to the substituted real property;

(c) the District provides the Lessor, the Insurer and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the interest evidenced and represented by the Certificates to be included in gross income for federal income tax purposes;

(d) the District will give, or cause to be given, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(e) upon the substitution of any real property and improvements thereon for all or a portion of the Property then existing, the District, the Lessor and the Trustee will execute and the District will record with the office of the County Recorder, Nevada County, California, any document necessary to reconvey to the District the portion of the Property being substituted and to include the substituted real property and/or improvements thereon as all or a portion of the Property;

(f) the District will certify to the Trustee and the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being replaced; and

(g) if the District releases a portion of the Property, the District will certify that the remaining portion of the Property has a sufficient fair rental value so that Lease Payments payable by the District pursuant to the Lease will not be reduced.

#### **Compliance with Law, Regulations, Etc.**

(a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations. Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in the Lease or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(b) Excluded from the representations and warranties in the Lease with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of school and school related buildings, the use, treatment, storage, transportation and disposal of which has been and will be in compliance with all Laws and Regulations.

(c) No portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property.

#### **Environmental Compliance.**

(a) The District will not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor will it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of a school district, the use, storage, treatment, transportation and disposal of which will be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the District will promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained therein, underground storage tanks will only be permitted subject to compliance with the Lease and only to the extent necessary to maintain the improvements on the Property.

(b) The District will comply with, and will cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and will keep the

Property free and clear of any liens imposed pursuant thereto; provided, however, that notwithstanding that a portion of the covenant summarized in this subsection is limited to the District's use of its best efforts, the District will remain solely responsible for ensuring such compliance and such limitation will not diminish or affect in any way the District's obligations contained in the Lease. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District will give prompt written notice thereof to the Trustee and the Insurer prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in the Lease is not true or correct, the District will, to the extent permitted by law, defend, indemnify and hold harmless, the Lessor, the Trustee, the Insurer, the Owners, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in the Lease, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee Insurer shall have delivered to the District and the Insurer), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, release, threat of release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Business Days' prior notice of which the Corporation or the Trustee, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or the Lease by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the District is strictly liable under any Environmental Regulation, its obligation to the Owners and the other indemnitees under the foregoing indemnification will likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under the Lease will survive the payment and satisfaction of all Certificates and the resignation and removal of the Trustee.

(d) The District will conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and will maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

**Condemnation of Property.** The District has covenanted and agreed, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District has further covenanted and agreed, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District will fail or refuse to abide by such covenant and condemns the Property, then the appraised value of the Property will not be less than the greater of: (i) if the Certificates are then subject to prepayment, the principal and interest components of the Certificates outstanding through the date of their prepayment, or (ii) if the Certificates are not then subject to prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

## ASSIGNMENT, SUBLEASING AND AMENDMENT

**Assignment by the Lessor.** Except as provided therein, in the Trust Agreement and the Assignment Agreement, the Lessor will not assign the Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in the Lease.

### **Assignment and Subleasing by the District.**

(a) Assignment. The Lease may be assigned by the District, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), so long as such assignment does not, in the opinion of Special Counsel, in and of itself, adversely affect the State tax-exempt

status or the exclusion from gross income for federal income tax purposes of the interest component of the Lease Payments or affect the validity of the Lease. In the event that the Lease is assigned by the District, the obligation to make Lease Payments under the Lease will remain the obligation of the District.

(b) Sublease. The District may, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), sublease all or any portion of the Property, with the consent of the Trustee (as assignee of the Lessor), subject to all of the following conditions:

(i) The Lease and the obligation of the District to make Lease Payments thereunder will remain obligations of the District; and

(ii) The District will, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor, each Rating Agency, the Insurer and the Trustee a true and complete copy of such sublease;

(iii) No sublease by the District will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) No sublease shall cause the interest component of the Lease Payments due with respect to the Property to become includable in gross income for federal income tax purposes or subject to State personal income taxes.

**Amendments and Modifications.** The Lease may be amended or any of its terms modified in accordance with the Trust Agreement.

## EVENTS OF DEFAULT AND REMEDIES

**Events of Default Defined.** The following will be “events of default” under the Lease and the terms “events of default” and “default” means, whenever they are used in the Lease, any one or more of the following events:

(a) Payment Default.

(i) Lease Payments. Failure by the District to pay any Lease Payment (other than Reserve Replenishment Rent) required to be paid thereunder by the corresponding Lease Payment Date; and

(ii) Reserve Replenishment Rent: Failure by the District to timely pay any Reserve Replenishment Rent if and when required by the Trust Agreement.

In determining whether a default has occurred under the provisions summarized in (i) and (ii) above, no effect will be given to payments made under the Insurance Policy.

(b) Covenant Default. Failure by the District to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed therein or otherwise with respect thereto or in the Trust Agreement or in the Site Lease, other than as described in clause (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lessor, the Trustee, the Insurer or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding (with a copy to the Insurer); provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee, the Insurer or such Owners, as the case may be, will not unreasonably withhold their consent to an extension of such time, if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected, except that such grace period will not exceed 30 days without the prior written consent of the Insurer.



(c) Bankruptcy or Insolvency. The filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under the Lease to any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

**Remedies on Default.** Whenever any event of default referred to in the Lease shall have happened and be continuing, it will be lawful for the Lessor to exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus. Notwithstanding anything therein or in the Trust Agreement to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default thereunder, the District will surrender possession of the Property to the Lessor, if requested to do so by the Lessor, the Insurer, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement. Notwithstanding any other provision of the Trust Agreement. So long as the Insurer is not in default of its payment obligations under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Trust Agreement. The Owners' and Lessor's direction of remedies upon default are subject to the prior written consent of the Insurer.

(a) No Termination: Repossession and Re-Lease on Behalf of the District. In the event the Lessor does not elect to terminate the Lease in the manner provided for in the Lease and summarized in subparagraph (b) below, the Lessor may, (i) with the consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) and (ii) with the consent of the District, which consent is thereby irrevocably given, repossess the Property and re-lease it for the account of the District, in which event the District's obligation will accrue from year to year in accordance with the Lease and the District will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District will remain the same as prior to such default, to pay Lease Payments, Reserve Replenishment Rent, and Additional Payments whether the Lessor re-enters or not. The District has agreed to and will remain liable for the payment of all Lease Payments, Reserve Replenishment Rent and Additional Payments and the performance of all conditions contained therein and will reimburse the Lessor for any deficiency arising out of the re-leasing of the Property, or, in the event the Lessor is unable to re-lease the Property, then for the full amount of all Lease Payments, Reserve Replenishment Rent and Additional Payments to the end of the Term of the Lease, but said Lease Payments, Reserve Replenishment Rent and Additional Payments and/or deficiency will be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, Reserve Replenishment Rent and Additional Payments thereunder, notwithstanding such repossession by the Lessor or any suit brought by the Lessor for the purpose of effecting such repossession of the Property or the exercise of any other remedy by the Lessor.

The District has irrevocably appointed the Lessor as the agent and attorney-in-fact of the District to repossess and re-lease the Property in the event of default by the District in the performance of any covenants contained therein to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in the Nevada County, for the account of and at the expense of the District, and the District has agreed to exempt and to save harmless the Lessor from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-leasing of the Property. The District has waived any and all claims for damage caused or which may be caused by the Lessor in repossessing the Property as provided therein and all claims for damages that may result from the destruction of or the injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

The District has agreed that the terms of the Lease constitute full and sufficient notice of the right of the Lessor to re-lease the Property in the event of such repossession without effecting a surrender of the Lease, and has further agreed that no acts of the Lessor in effecting such re-leasing will constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease will vest in the Lessor to be effected in the sole and exclusive manner provided for in subparagraph (b) below.

The District will retain the portion of rental obtained by the Trustee, as assignee of the Lessor, that is in excess of the Lease Payments, Reserve Replenishment Rent and Additional Payments, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the District under the Lease and the Trust Agreement.

In the event that the liability of the District under the Lease is held to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Lessor, or the Trustee or the Owners, as assignees of the Lessor, will not exercise the remedies provided in the Lease.

(b) Termination: Repossession and Re-Lease. In the event of the termination of the Lease by the Lessor at its option and in the manner thereafter provided on account of default by the District (and notwithstanding any repossession of the Property by the Lessor in any manner whatsoever or the re-leasing of the Property), the District nevertheless has agreed to pay to the Lessor all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided therein in the case of payment of Lease Payments, Reserve Replenishment Rent and Additional Payments. Any proceeds of the re-lease or other disposition of the Property by the Lessor will be deposited into the Lease Payment Fund and be applied in accordance with the provisions of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Lessor, from such re-leasing over total Lease Payments, Reserve Replenishment Rent and Additional Payments that would have been due thereunder and the fees, expenses and costs of the Trustee as assignee of the Lessor on re-leasing the Property will be remitted to the District. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Property will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the District will be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the District of the election on the part of the Lessor to terminate the Lease. The District has covenanted and agreed that no surrender of the Property for the remainder of the Term thereof or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. No such termination will be effected either by operation of law or act of the parties thereto, except only in the manner therein expressly provided.

(c) The re-leasing of the Property as provided in the Lease will be subject to the opinion of Special Counsel that such re-leasing will not, in and of itself, cause the interest component of the Lease Payments to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes.

**No Remedy Exclusive.** No remedy conferred in the Lease upon or reserved to the Lessor is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in the Lease it will not be necessary to give any notice, other than such notice as may be required in the Lease or by law.

**Agreement to Pay Attorneys' Fees and Expenses.** In the event either party to the Lease should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

**No Additional Waiver Implied by One Waiver.** In the event any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

**Application of the Proceeds from the Re-Lease of the Property.** All amounts received by the Lessor under the Lease will, subject to the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

**Trustee and Owners to Exercise Rights.** Such rights and remedies as are given to the Lessor under the Lease have been assigned by the Lessor to the Trustee under the Assignment Agreement, to which assignment the District consents. Such rights and remedies will be exercised by the Trustee, the Insurer and the Owners as provided in the Trust Agreement. To the extent that the Lease confers upon or gives or grants to the Trustee any right,

remedy or claim under or by reason of the Lease, the Trustee has been explicitly recognized as being a third-party beneficiary under the Lease and may enforce any such right, remedy or claim conferred, given or granted under the Lease.

## **MISCELLANEOUS**

**Binding Effect.** The Lease will inure to the benefit of and will be binding upon the Lessor and the District and their respective successors and assigns.

**Severability.** In the event any provision of the Lease will be held invalid or unenforceable by a court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision thereof.

**Applicable Law.** The Lease will be governed by and construed in accordance with the laws of the State.

**Execution in Counterparts.** The Lease may be executed in any number of counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

## **THE TRUST AGREEMENT**

### **Transfer and Exchange.**

(a) **Transfer of Certificates.** Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same maturity and interest rate, for like aggregate principal amount in authorized denominations. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the District. The Trustee will require the payment by the Certificate Owner requesting such transfer of any tax or governmental charge required to be paid with respect to such transfer, and there will be no other charge to any Certificate Owner for any such transfer.

(b) **Exchange of Certificates.** Certificates may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing the Certificates and any services rendered or expenses incurred by Trustee in connection with any transfer or exchange will be paid by the District. All Certificates surrendered pursuant to the provisions of the Trust Agreement summarized in this subsection will be cancelled and destroyed by the Trustee and will not be redelivered.

(c) **Time for Transfer or Exchange.** The Trustee will not be obligated to transfer or exchange any Certificate after a Record Date and before the following Certificate Payment Date, or during the period in which it is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in the Trust Agreement.

**Certificates Mutilated, Lost, Destroyed or Stolen.** If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, will execute and deliver a new Certificate of like tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee will be cancelled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity, satisfactory to the Trustee indemnifying the Trustee, the Corporation and the District, will be given, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee will determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an

appropriate fee for each new Certificate delivered under the provisions of the Trust Agreement summarized in this subsection and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate executed under the provisions of the Trust Agreement summarized by this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement. The Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of delivering a new Certificate in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

**Payment.** Subject to the provisions of the Letter of Representation, payment of interest with respect to any Certificate on any Certificate Payment Date or prepayment date will be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Certificate Payment Date or prepayment date, as the case may be, such interest to be paid to such Owner on the Certificate Payment Date by wire transfer to the bank and account number within the United States of America on file with the Trustee as of the Record Date. Payments of defaulted interest will be paid by check of the Trustee mailed by first class mail to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which will be given to the Owners not less than 15 days prior to such special record date. Subject to the provisions of the Letter of Representation, the principal payable upon maturity or prepayment with respect to the Certificates will be payable upon surrender at the Principal Office. Said amounts will be payable in lawful money of the United States of America. The Trustee has been authorized to pay or prepay the Certificates when duly presented for payment at maturity or on prepayment and to cancel all Certificates upon payment thereof.

**Additional Certificates.** Subsequent to the execution and delivery by the Trustee of the Certificates, and with the prior written consent of the Insurer, the Trustee, will, upon written request or requests of the District Representative and the Corporation Representative, execute and deliver from time to time one or more series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there will have been compliance with all of the following conditions, which are made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

(a) The parties to the Trust Agreement will have executed a supplemental agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and accounts established thereunder for the Certificates executed and delivered on the Closing Date, as will be necessary or appropriate, which supplemental agreement will require that prior to the delivery of such Additional Certificates the Reserve Requirement with respect to such Additional Certificates will be on deposit in the Reserve Fund established under the Trust Agreement, including amounts under any Reserve Facilities or in a reserve fund established under such supplemental agreement;

(b) The principal and interest payable with respect to such Additional Certificates and any premium payable upon prepayment of such Additional Certificates will be payable only on Certificate Payment Dates applicable to the Certificates;

(c) The Lease shall have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium, and interest may be payable out of moneys then in the Reserve Fund or otherwise on deposit with the Trustee in accordance with the Trust Agreement, (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of the Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional

Certificates (provided, however, that such other revisions will not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of the Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments required by the Trust Agreement;

(e) The Trustee shall have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(f) The Trustee shall have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(g) The Trustee will have received an opinion of Special Counsel substantially to the effect that (i) said supplemental agreement and said amendments to the Lease comply in all respects with the requirements of the Trust Agreement, (ii) said supplemental agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in the Trust Agreement and summarized in this clause (ii), will be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said supplemental agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, the Trust Agreement, as amended by said supplemental agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding, and by the limitations on legal remedies against public agencies in the State of California) and (iv) the execution of such supplemental agreement and said amendments to the Lease, and performance by the parties thereunder, will not, in and of itself, result in the inclusion of the interest portion of any Lease Payments payable with respect to the Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(h) The District shall have provided each Rating Agency written notice of the proposed execution and delivery of such Additional Certificates.

(i) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(j) Upon the execution and delivery of such Additional Certificates, the amount in deposit in the Reserve Fund, together with amounts available under any Reserve Facilities on deposit therein, will be equal to the Reserve Requirement, taking into account the execution and delivery of the Additional Certificates; and

(k) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to the Rating Agency), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee will cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such supplemental agreement, and such Additional Certificates will be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate,

including Additional Certificates, over any other; provided, however, that no provision of the Trust Agreement will require the District to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, will be in the sole discretion of the District.

## **PROJECT FUND**

**Establishment of Project Fund.** The Trustee will establish a special fund designated as the “Tahoe-Truckee Unified School District Certificates of Participation (2019 School Financing Project) Project Fund,” referred to in the Trust Agreement as the “Project Fund”; will keep the Project Fund separate and apart from all other funds and moneys held by it; and will administer such fund as provided in the Trust Agreement. The Project Fund will be held and applied by the Trustee in accordance therewith.

**Purpose.** Moneys in the Project Fund will be expended for Project Costs and Delivery Costs.

**Deposit of Moneys; Payment of Project Costs and Delivery Costs.**

(a) **Deposits.** There will be credited to the Project Fund the following amounts: (1) the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement; (2) all investment earnings on moneys held in the various accounts of the Project Fund, which will remain in the account of the Project Fund which generated such earnings until expended or applied to the prepayment of Certificates, as described in the Trust Agreement; and (3) any other deposits made to the Project Fund by the District.

(b) **Disbursements.** The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs directly or to reimburse the District for payment of Project Costs, upon receipt (either by mail or by facsimile transmission) by the Trustee of a Project Cost Requisition signed by the District Representative. The Trustee will disburse moneys from the Project Fund to pay Delivery Costs or to reimburse the District for payment of such Delivery Costs upon receipt by the Trustee of a Delivery Cost Requisition signed by the District Representative. The Trustee will be absolutely protected in making any such disbursements in reliance upon a Project Cost Requisition or Delivery Cost Requisition, as applicable, signed by the District Representative. Each such Project Cost or Delivery Cost Requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

**Transfers of Unexpended Proceeds.** Upon the filing with the Trustee of the Certificate of Completion pursuant to the Lease, the Trustee will withdraw all remaining moneys in the Project Fund (other than any moneys retained therein to pay Project Costs not then due and payable and certified by the District Representative) and will either transfer such moneys to the Lease Payment Fund to be applied to the payment of principal and interest evidenced by the Certificates as prescribed in the Trust Agreement, or at the written election of the District, will transfer such moneys to the Prepayment Fund to be applied to the prepayment of Certificates as described in the Trust Agreement or to the District for the purpose of capital expenditures of the District and, following final disbursement of any moneys retained in the Project Fund as described above, will close the Project Fund.

## LEASE PAYMENTS; LEASE PAYMENT FUND

### Security Provisions.

(a) Assignment of Rights in Lease and Site Lease. The Corporation has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease and Site Lease, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, Reserve Replenishment Rent, Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease and the Site Lease or pursuant to the Trust Agreement. All such Lease Payments, Reserve Replenishment Rent, Prepayments and such other amounts to which the Corporation may at any time be entitled (other than amounts due to the Corporation under the Lease) will be paid directly to the Trustee, and all of the Lease Payments, Reserve Replenishment Rent and Prepayments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within five Business Days after the receipt thereof, and all such Lease Payments will be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, and all such Prepayments will be forthwith deposited by the Trustee upon the receipt thereof in the Prepayment Fund, and all such Reserve Replenishment Rent will be forthwith deposited by the Trustee upon receipt thereof in the Reserve Fund.

(b) Security Interest in Moneys and Funds. The Corporation and the District, as their interests may appear, have granted to the Trustee for the benefit of the Owners a lien on and a security interest in all moneys in the funds held by the Trustee under the Trust Agreement (excepting only the Project Fund and Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund (including payments of Reserve Replenishment Rent pursuant to the Trust Agreement), the Prepayment Fund, the Project Fund and the Net Proceeds Fund, and all such moneys will be held by the Trustee in trust and applied to the respective purposes specified therein and in the Lease.

(c) Pledge of Lease Payments and Lease Proceeds. The Lease Payments and any Lease Proceeds are have been irrevocably pledged pursuant to the Trust Agreement to and will be used for the punctual payment of the interest and principal represented by the Certificates and the Lease Payments and Lease Proceeds will not be used for any other purpose while any of the Certificates remain Outstanding. The pledge contained in the Trust Agreement and summarized in this subsection will constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms thereof, subject to the Lease.

**Establishment of Lease Payment Fund.** The Trustee will establish a special fund designated as the "Tahoe-Truckee Unified School District Certificates of Participation (2019 School Financing Project) Lease Payment Fund." All moneys at any time, from whatever sources deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as thereafter set forth.

**Deposits.** There will be deposited in the Lease Payment Fund all Lease Payments and in the Prepayment Fund all Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease, and any other moneys required to be deposited therein pursuant to the Lease, including without limitation provisions of the Lease regarding proceeds of rental interruption insurance or pursuant to the Trust Agreement, which moneys will be applied as a credit towards any Lease Payment then due.

**Application of Moneys.** Except as provided in the Trust Agreement, all amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same will become due and payable, in accordance with the provisions of the Trust Agreement, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund, as provided in the Trust Agreement.

On each Certificate Payment Date, the Trustee first will set aside in the Lease Payment Fund an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and wire such amount as provided in the Trust Agreement to the Owners; and second will set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

**Surplus.** Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including payment of any applicable fees, expenses or other amounts owed to the Trustee pursuant to the Trust Agreement, any amounts owed to the Insurer or the Reserve Insurer, and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will be withdrawn by the Trustee and remitted to the District.

## **RESERVE FUND**

**Establishment of Reserve Fund.** The Trustee will establish a special fund designated as the “Tahoe-Truckee Unified School District Certificates of Participation (2019 School Financing Project) Reserve Fund,” referred to therein as the “Reserve Fund.” All moneys at any time on deposit in the Reserve Fund (including any Reserve Facility thereafter provided to satisfy the Reserve Requirement in whole or in part) will be held by the Trustee in trust for the benefit of the Owners of the Certificates, as a reserve for the payment when due of all the Lease Payments to be paid pursuant to the Lease and of all payments with respect to the Certificates and applied solely as provided therein.

### **Funding.**

(a) **Reserve Requirement.** There will be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a partial prepayment or defeasance of the Certificates, the Reserve Requirement will thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in the Trust Agreement. On the Closing Date, there will be deposited in the Reserve Fund the Reserve Policy, making an amount available thereunder and in the Reserve Fund equal to the Reserve Requirement. The Reserve Requirement may thereafter be satisfied by the District crediting to the Reserve Fund moneys or, with notice to each Rating Agency and with the prior written consent of the Insurer, another Reserve Facility or Facilities, or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; provided, however, the long-term unsecured debt or claim-paying ability or financial strength, as the case may be, of the provider of any such Reserve Facility, must be rated by any Rating Agency, at the time of deposit, no lower than that of the District.

The term of any Reserve Facility will either be equal to the term of the Lease or a rollover of the Reserve Facility or other equivalent replacement will be required such that the aggregate term of all Reserve Facilities will equal the term of the Lease.

(b) **Reserve Facility.** Any amounts paid by the Reserve Insurer pursuant to the Reserve Policy and any other amounts paid pursuant to any other Reserve Facility will be deposited in the Reserve Fund. The District may substitute moneys for all or part of the amount available to be drawn under a Reserve Facility so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under all Reserve Facilities (taking into account any reduction in the amount available under such Reserve Facility to be made in connection with said substitution) will be at least equal to the Reserve Requirement. The District will not substitute any Reserve Facility in lieu of all or any portion of moneys on deposit in the Reserve Fund without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

Amounts on deposit in the Reserve Fund which are not derived from payments under the Reserve Policy or any other Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement will be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under the Reserve Policy or any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under the Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) **Delinquent Lease Payments.** If there are no amounts currently due to the Reserve Insurer under the Reserve Policy, and the sum of the amount on deposit in the Reserve Fund, plus the amount available under the



Reserve Policy and any other Reserve Facilities, shall be reduced below the Reserve Requirement, the first payments of Lease Payments thereafter payable by the District and not needed to pay interest and principal components of Lease Payments payable to the Certificate Owners on the next Certificate Payment Date will be used to first, reimburse the Reserve Insurer and the provider of any other Reserve Facility for any repayment or payment obligation owing thereto for any draw on such other Reserve Facility to the Reserve Fund and second, to increase the balance in the Reserve Fund to an amount which, when added to the amount available under the Reserve Policy and any other Reserve Facilities, is equal to the Reserve Requirement.

(d) Certain Net Proceeds. Net Proceeds of rental interruption insurance will be deposited as provided in the Lease and the Trust Agreement.

(e) Reserve Replenishment Rent. Any Reserve Replenishment Rent payable pursuant to the Lease will be deposited in the Reserve Fund, or paid to the Reserve Insurer or other provider of a Reserve Facility, as applicable.

**Transfers of Excess.** The Trustee will, on or before May 15 and November 15 of each year, provide written notice to the District of any moneys which are estimated to be on hand in the Reserve Fund (including investment earnings) in excess of the Reserve Requirement on the next succeeding June 1 or December 1, as the case may be, and three (3) Business Days immediately preceding any Lease Payment Date, the Trustee will transfer such excess moneys to the Lease Payment Fund to be applied to the Lease Payment then due from the District. In the event of such a partial prepayment or defeasance of Certificates, a proportionate amount in the Reserve Fund (determined on the basis of the principal evidenced by Certificates to be prepaid or redeemed, and the original aggregate principal evidenced by the Certificates, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement as summarized in “—Reserve Requirement” above) will, at the direction of the District, be applied to the prepayment or defeasance of Certificates as provided in the Trust Agreement.

The transfers described above are in each case subject to the requirement that if the Certificate proceeds will have become subject to the arbitrage rebate provisions of Section 148(f) of the Code as described in the Trust Agreement then certain investment earnings are to be transferred to the Rebate Fund at the direction of the District as provided in the Trust Agreement.

#### **Application of Reserve Fund in Event of Deficiency in Lease Payment Fund.**

(a) At least five (5) Business Days immediately preceding any Certificate Payment Date, the Trustee will ascertain the necessity for a claim under the Reserve Policy in accordance with the terms of the Trust Agreement, and will provide notice to the Reserve Insurer at least five (5) Business Days prior to each date upon which interest or principal is due with respect to the Certificates.

(b) Whether or not Lease Payments are then in abatement, if three (3) Business Days immediately preceding any Certificate Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee first will apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the District by transferring the amount necessary for such purpose to the Lease Payment Fund. All cash and investments in the Reserve Fund will be transferred to the Lease Payment Fund before any drawing will be made on the Reserve Policy or any other Reserve Facility. The Trustee will take whatever action is necessary to liquidate or draw upon investments of funds held in the Reserve Fund or draw upon the Reserve Facility securing the Reserve Fund to make such funds available for application as provided thereunder on the Certificate Payment Date.

(c) Draws on all Reserve Facilities (including the Reserve Policy) on which there is Available Coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund.

(d) The District will repay any draws under the Reserve Policy (including interest accrued thereon at the Late Payment Rate) from Reserve Replenishment Rent paid by the District pursuant to the Lease. The Trustee

will also pay all related reasonable Administrative Costs incurred by the Reserve Insurer (including interest accrued thereon at the Late Payment Rate), and all other Policy Costs, from Additional Payments paid by the District pursuant to the Lease.

(e) Repayment of Policy Costs will commence in the first month following each draw, and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Payment of any Policy Costs and reimbursements of amounts with respect to other Reserve Facilities will be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

(f) Amounts in respect of Policy Costs paid to the Reserve Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Reserve Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

(g) If the District fails to pay any Policy Costs in accordance with the requirements of the Trust Agreement, the Reserve Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than remedies which would adversely affect Owners of the Certificates. The Trust Agreement and the Lease will not be discharged or terminated until all Policy Costs owing the Reserve Insurer shall have been paid in full. The District's obligation to pay such amounts will expressly survive payment in full of the Certificates.

(h) The District has agreed that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Reserve Insurer or until the date that the Reserve Insurer is paid in full.

**Trustee to Make All Lease Payments.** If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal or interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any), the Trustee will, upon the written direction of the District Representative, transfer all amounts in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the District and such moneys will be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and the Trustee's fees and expenses pursuant to the Trust Agreement, amounts owed to the Insurer and Reserve Insurer, and any other Additional Payments due under the Lease, or upon provision for such payments as provided in the Trust Agreement and provisions for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will at the written direction of the District, be withdrawn by the Trustee and paid to the District.

## **NET PROCEEDS FUND**

**Establishment of Net Proceeds Fund; Deposits.** The Trustee will establish when required a special fund designated as the "Tahoe-Truckee Unified School District Certificates of Participation (2019 School Financing Project) Net Proceeds Fund," referred to therein as the "Net Proceeds Fund," to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided therein. The Trustee will deposit Net Proceeds in the Net Proceeds Fund as provided in the Lease.

### **Disbursements.**

(a) Casualty Insurance. The Trustee will disburse Net Proceeds for replacement or repair of the Property as provided in the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement. After all of the Certificates have been paid and the entire amount of principal and interest with respect to the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate

Fund pursuant to the Trust Agreement, the Trustee will pay any remaining moneys in the Net Proceeds Fund to the District after payment of any amounts due to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease.

(b) Title Insurance. Proceeds of any policy of title insurance received by the Trustee with respect to the Property will be applied and disbursed by the Trustee upon the written request of the District as follows:

(i) If the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds will be remitted to the District and used for any lawful purpose thereof; or

(ii) If the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee will (with the prior written consent of the Insurer), immediately deposit such proceeds in the Prepayment Fund and such proceeds will be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

**Cooperation.** The Corporation and the Trustee will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee will not be obligated to take any action thereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

## **MONEYS IN FUNDS; INVESTMENT**

**Held in Trust.** The moneys and investments held by the Trustee under the Trust Agreement (other than the Project Fund and the Rebate Fund) are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes therein specified, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

### **Investments Authorized.**

(a) By Trustee. Subject to the further provisions of the Trust Agreement, moneys held by the Trustee thereunder will be invested and reinvested on maturity by the Trustee pursuant to the Trust Agreement. The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available based upon information supplied by the District.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund will mature not later than the Certificate Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Project Fund will not mature later than the dates upon which such funds will be needed to be expended for the payment of Delivery Costs or Project Costs.

(b) Upon Direction of the District. The District Representative will direct by facsimile or electronic mail such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect, confirmed by written order filed with the Trustee. In the event that the District Representative does not so direct the Trustee, the Trustee will invest in the Permitted Investments described in paragraph (b)(vi) of the definition thereof contained in the Trust Agreement and summarized under the heading "DEFINITIONS – Permitted Investments" hereof.

(c) Registration. Such investments, if registerable, will be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(d) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to any provider of, Permitted Investments thereunder. The District has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee thereunder.

(e) Trustee Standard of Care. Except as otherwise provided in the Trust Agreement, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds or sale of such investment made by it in accordance with the Trust Agreement or disposition made by it in accordance with the Trust Agreement.

**Disposition of Investments.** Any income, profit or loss on the investment of moneys held by the Trustee thereunder will be credited to the respective fund for which it is held, except as otherwise provided in the Trust Agreement.

**Accounting.** The Trustee will furnish to the District, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee will not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero and (ii) has not had any activity since the last reporting date. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

#### **Valuation and Disposition of Investments.**

(a) Valuation. For the purpose of determining the amount in any fund, all Permitted Investments (except investment agreements) credited to such fund will be valued at the lower of the cost or the market price, exclusive of accrued interest. With respect to all funds and accounts, investments will be valued by the Trustee (i) not less often than annually, and as otherwise directed by the District, and (ii) upon any draw upon the Reserve Fund. In making any such valuations, the Trustee may utilize, and conclusively rely upon, such valuation services as may be available to the Trustee, including those within its regular accounting system.

(b) Disposition. Subject to the provisions of the Trust Agreement, the Trustee will sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited.

**Commingling of Moneys in Funds.** The Trustee may, and upon the written request of the District Representative will, commingle any of the funds held by it pursuant to the Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder will be accounted for separately notwithstanding such commingling by the Trustee. The District will ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and will provide direction to the Trustee accordingly.

### **THE TRUSTEE**

#### **Appointment of Trustee.**

(a) Appointment. U.S. Bank National Association, a national banking association organized under the laws of the United States of America, has been appointed as Trustee by the Corporation and the District.

(b) Qualifications. The Corporation and the District have agreed that they will maintain a Trustee having a corporate trust office in New York, New York, San Francisco, California or Los Angeles, California capable of exercising trust powers in the State of California, with a combined capital (exclusive of borrowed capital) and a surplus of at least Seventy-Five Million Dollars (\$75,000,000), or be a member of a bank holding company system, which will have a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of the Trust Agreement the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) Removal. So long as there is no Event of Default then in effect, the District (with the prior written consent of the Insurer) may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(d) Resignation. The Trustee may, upon prior written notice to the District, the Insurer and the Corporation, resign; provided that such resignation will not take effect until the successor Trustee is appointed as provided in the Trust Agreement. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee. In the event the District does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustee's resignation, then the Trustee may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

(e) Successor. Any successor Trustee will be acceptable to the Insurer, and will be a bank, national banking association or trust company meeting the qualifications as set forth in the Trust Agreement. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee will mail notice thereof to (i) the District, the Corporation, and the Insurer and (ii) the Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to the Trust Agreement.

**Merger or Consolidation.** Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under the Trust Agreement, will be the successor to the Trustee without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

#### **Protection of the Trustee.**

(a) Reliance Upon Papers or Documents. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile transmission, electronic mail, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it will in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee has agreed to accept and act upon instructions or directions pursuant to the Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are

inconsistent with a subsequent written instruction. The District has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(b) Reliance Upon Opinions of Counsel. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it thereunder in good faith in accordance therewith. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion will be made available to the other parties thereto upon request, which counsel may be counsel to any of the parties thereto, or a verified certificate of any party thereto, or both, concerning the proposed action. If it does so in good faith, Trustee will be absolutely protected in relying thereon.

(c) Reliance Upon Requested Certificates. Whenever in the administration of its duties under the Trust Agreement, the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed), in the absence of bad faith on its part, will be deemed to be conclusively proved and established by the certificate of the District Representative or the Corporation Representative and such certificate will be full warranty to the Trustee, in the absence of bad faith on its part, for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

#### **Rights of the Trustee.**

(a) Ownership of Certificates. The Trustee may become the Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee will represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(b) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers thereof and perform the duties required of it thereunder by or through attorneys, agents, or receivers, will not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and will be entitled to advice of counsel concerning all matters of trust and its duty thereunder; provided that the Trustee will not assign any of its trust responsibilities without the prior written consent of the District.

(c) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to the Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties thereunder.

**Standard of Care.** So long as there is no Event of Default, (a) the Trustee will not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct, and (b) the Trustee will only perform those duties specifically set forth therein and no implied duties, covenants or obligations will be read into the Trust Agreement. In the event of and during the continuance of an Event of Default, the Trustee will exercise such care in performing its duties thereunder as a prudent person would exercise in the conduct of his or her affairs.

**Compensation of the Trustee.** As an Additional Payment under the Lease, the District will from time to time on demand, pay to the Trustee reasonable compensation for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under the Trust Agreement pursuant to a written agreement between the District and the Trustee, and the reimbursement for all expenses incurred in and about the performance of its powers and duties under the Trust Agreement. The District's obligation thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates and resignation or removal of the Trustee.

**Indemnification of Trustee.** The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition, construction or management of, or from any work or thing done on the Property or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Trust Agreement and any other agreement made and entered into for purposes of the Property or the Project, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project, (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property or the Project, (v) the expenditure of Delivery Costs, or (vi) the exercise and performance by the Trustee of its powers and duties thereunder or any related document, (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or the Trust Agreement or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates. The indemnification set forth in the Trust Agreement will extend to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Trust Agreement or elsewhere in the Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, directors, agents, employees, successors or assigns. The District's obligations thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Corporation and the District, having any claim against the Trustee arising from the Trust Agreement will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in the Trust Agreement. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

No provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder or in the exercise of any of its rights or powers.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right thereunder.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

Every provision of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee will be subject to the provisions of the Trust Agreement.

The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee will not to be deemed to have knowledge of any Event of Default thereunder or under the Lease unless a Responsible Officer of the Trustee has actual knowledge thereof at its Principal Office.

The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of an unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or

inaction, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein.

The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance with the Trust Agreement.

## **MODIFICATION OR AMENDMENT OF AGREEMENTS**

### **Amendments Permitted.**

(a) With Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District, and the Owners thereunder, may be modified or amended at any time, by a supplemental agreement or amendment thereto which will become effective, with the prior written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and with notice to each Rating Agency, exclusive of Certificates disqualified as provided in the Trust Agreement. No such modification or amendment will:

(i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or

(ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, the Lease, or the Site Lease, or

(iii) modify any of the rights or obligations of the Trustee without its written assent thereto, or

(iv) amend the provisions summarized under the subheading "MODIFICATION OR AMENDMENT OF AGREEMENTS – Amendments Permitted" above, without the prior written consent of the Insurer and the Owners of all Certificates then outstanding.

The Trustee will be furnished such Opinions of Counsel as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners and (ii) that the amendment will not, in and of itself, affect the tax status of interest with respect to the Certificates. Any such supplemental agreement or amendments thereto shall become effective as provided in the Trust Agreement. The Trustee may rely on an Opinion of Counsel that each such amendment is authorized or permitted pursuant hereto.

(b) Without Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District and the Owners thereunder, may be modified or amended at any time by a supplemental agreement or amendments thereto, with notice to each Rating Agency, and without the consent of any such Owners, but with the prior written consent of the Insurer, only to the extent permitted by law, and only:

(i) to add to the covenants and agreements of the District and the Corporation thereunder,

(ii) to cure, correct or supplement any ambiguous or defective provision contained therein,

(iii) in regard to matters arising thereunder, as the parties thereto may deem necessary or desirable (which may be based upon opinions as provided in the Trust Agreement), will not adversely affect the interest of the Owners,



- (iv) to substitute the Property, or a portion thereof, in accordance with the Lease,
- (v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates,
- (vi) to add to the rights of the Trustee,
- (vii) to maintain the rating or ratings assigned to the Certificates, or
- (viii) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of the Trust Agreement.

No such modification or amendment, however, will modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective upon execution and delivery by the parties thereto as the case may be. The Trustee may rely upon an opinion of counsel that each amendment is authorized or permitted by the Trust Agreement

**Procedure for Amendment with Written Consent of the Owners.** The Trust Agreement, the Site Lease or the Lease may be amended by supplemental agreement as provided in the Trust Agreement in the event the consent of the Owners is required pursuant to the Trust Agreement. Such supplemental agreement, together with a request to the Owners for their consent thereto, will be mailed by the Trustee to each Owner of a Certificate at his or her address as set forth in the Certificate registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such supplemental agreement and request so mailed will not affect the validity of the supplemental agreement when assented to as in the Trust Agreement provided.

Such supplemental agreement will not become effective unless there will be filed with the Trustee the written consents of the (i) Insurer and (ii) the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in the Trust Agreement) and notices will be mailed as thereafter in the Trust Agreement provided. Any such consent will be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice thereafter in the Trust Agreement provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consent to such supplemental agreement, the Trustee will mail a notice to the Owners of the Certificates in the manner provided in the Trust Agreement for the mailing of such supplemental agreement, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in the Trust Agreement (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the Trust Agreement to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. The Trustee may obtain and conclusively rely on an opinion of counsel with regard to such matters.

**Disqualified Certificates.** Certificates owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. Upon request of the Trustee, the District and the Corporation will specify in a certificate to the Trustee those Certificates disqualified pursuant to the Trust Agreement and the Trustee may conclusively rely on such certificate.

The District or the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

**Effect of Supplemental Agreement.** From and after the time any supplemental agreement becomes effective pursuant to the Trust Agreement, the Site Lease or the Lease, as the case may be, will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Certificates Outstanding, as the case may be, will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement will be deemed to be part of the terms and conditions of the Trust Agreement or the Lease, as the case may be, for any and all purposes.

**Endorsement or Replacement of Certificates Delivered After Amendments.** The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in the Trust Agreement will bear a notation, by endorsement, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his or her Certificate for such purpose at the Principal Office, a suitable notation will be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Owner's action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate will be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

**Amendatory Endorsement of Certificates.** Subject to the Trust Agreement, the provisions of the Trust Agreement will not prevent an Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

**Copies of Amendments Delivered to the Rating Agency.** Copies of any modifications or amendments to the Trust Agreement, the Lease, the Site Lease or the Assignment Agreement will be delivered by the District to the Rating Agency at least 10 days prior to the effective date thereof.

## COVENANTS; NOTICES

**Compliance With and Enforcement of the Lease.** The District has covenanted and agreed with the Owners and the Insurer to perform all obligations and duties imposed on it under the Lease. The Corporation has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District, will deliver the same, or a copy thereof, to the Trustee.

**Payment of Taxes.** The District will pay all taxes as provided in the Lease.

**Observance of Laws and Regulations.** The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a school district, to the end that such rights, privileges and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

**Prosecution and Defense of Suits.** The District will promptly, and also upon request of the Trustee, the Insurer or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and will prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee, and every Owner harmless from all loss, cost, damage and expense including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

**District Budgets.** In accordance with the Lease, the District Representative will certify to the Trustee on or before July 1 of each year that the District has included all Lease Payments (other than Lease Payments of advance rental), Reserve Replenishment Rent and Additional Payments due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Reserve Replenishment Rent and Additional Payments in such annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure will constitute an Event of Default under the Lease. The Trustee will forward a copy of such notice to the Corporation and the Insurer. Upon receipt of such notice, the District will notify the Trustee of the proceedings proposed to be taken by the District, and will keep the Trustee advised of all proceedings thereafter taken by the District.

**Further Assurances.** The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Owners and the Insurer the rights and benefits provided therein.

**Continuing Disclosure.** The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default or an event of default thereunder; however, any Owner or Beneficial Owner 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 the Trust Agreement and the Continuing Disclosure Certificate.

## **LIMITATION OF LIABILITY**

**Limited Liability of the District.** Except for the payment of Lease Payments, Reserve Replenishment Rent, Additional Payments and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained therein and in the Lease, the District will have no obligation or liability to any of the other parties or to the Owners with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

**No Liability of the District or Corporation for Trustee Performance.** Except as expressly provided therein, neither the District nor the Corporation will have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

### **Limited Liability of Trustee.**

(a) No Investment Advice. The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

(b) Sufficiency of the Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, will incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Certificates assigned to or imposed upon it. The Trustee will not be responsible for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee will not be liable for the sufficiency or collection of any Lease Payments or other moneys

required to be paid to it under the Lease (except as provided in the Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(c) Actions of Corporation and the District. The Trustee will have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement or the Lease, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it thereunder as provided in the Trust Agreement.

(d) Recitals and Agreements of Corporation and the District. The recitals of facts, covenants and agreements therein and in the Certificates contained will be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

**Limitation of Rights to Parties and Certificate Owners.** Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or will be construed to give any person other than the District, the Corporation, the Trustee, the Insurer and the Owners, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision thereof; and all such covenants, conditions and provisions are and will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer and the Owners.

**No Liability of the Corporation to the Owners.** Except as expressly provided therein, the Corporation will not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District or with respect to the observance or performance by the District of the other agreements, conditions, and covenants imposed upon the District by the Lease or by the Trust Agreement.

## EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

**Assignment of Rights.** The parties thereto acknowledge that pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Corporation's rights under the Lease and the Site Lease.

### Events of Default.

(a) Remedies. If an Event of Default will happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus; provided, however, that notwithstanding anything therein or in the Lease to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE; provided further that so long as the Insurer shall not be in default of its payment obligations under the Insurance Policy, the Insurer will control all remedies available upon an Event of Default.

(b) Actual Knowledge. The Trustee will not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Principal Office.

(c) Action on Default. If an Event of Default (within the meaning of the Lease) will happen, then such Event of Default will constitute an Event of Default thereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Lease or under the Trust Agreement to the District, and will do so if directed to do so by the Insurer or the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee (a) may, at the direction of the the Owners of not less than

a majority of the aggregate principal evidenced by Certificates then Outstanding, and with the consent of the Insurer and (b) will, at the direction of the Insurer and upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease and may, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

**Application of Funds.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Lease, will be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement and the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee and then of the Owners in declaring such Event of Default and in performing its duties thereunder, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Fourth, Insurance: to the extent not included in clauses First, Second and Third in the Trust Agreement and summarized above, to the payment of all amounts then due to the Insurer or Reserve Insurer, as certified in writing to the Trustee. The Trustee may conclusively rely on a certification of the Insurer or Reserve Insurer.

**Institution of Legal Proceedings.** If one or more Events of Default will happen and be continuing, the Trustee may, and, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or the Lease, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties thereunder; provided that such written request will not be otherwise than in accordance with provisions of law and the Trust Agreement and that the Trustee will have the right to decline to follow any such written request if the Trustee will be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith will determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability.

**Non Waiver.** Nothing in the Trust Agreement or in the Certificates will affect or impair the obligation of the District which is absolute and unconditional, to pay or prepay the Lease Payments or Additional Payments as provided in the Lease. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy

given by the Trust Agreement to the Trustee or to the Owners may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners.

**Remedies Not Exclusive.** No remedy therein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

**Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion, or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of at least a majority in principal amount of the Outstanding Certificates thereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

**Limitation on Certificate Owners' Right to Sue.** No Owner of any Certificate executed thereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) such Owner will, so long as the Insurer is not in default of its payment obligations under the Insurance Policy, have secured the Insurer's consent to such institution, (c) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name; (d) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (e) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (f) there shall have been a default in the payment of such Owner's proportionate interest in the Lease Payments as the same become due.

Such notification, request, tender of indemnity, refusal or omission, and default are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy thereunder; it being understood and intended that no one or more Owners will have any right in any manner whatever by his or her or their action to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of the Trust Agreement or any other provision of the Trust Agreement.

**Agreement to Pay Attorneys' Fees and Expenses.** In the event any party to the Trust Agreement should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party has agreed that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

## MISCELLANEOUS

### **Defeasance.**

(a) Methods. If and when any Outstanding Certificates will be paid and discharged in any one or more of the following ways -

(i) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(ii) Cash: prior to maturity, by depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, an amount of cash which (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement) is fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date; or

(iii) Defeasance Securities: prior to maturity, by irrevocably depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, Defeasance Securities together with cash, if required (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement), in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due thereunder have been paid in full, then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to provisions of the Trust Agreement summarized in (i) and (iii) above, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to the provisions of the Trust Agreement summarized in (ii) and (iii) above, the Certificates will continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(b) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures of the Trust Agreement described in paragraphs (a)(i) through (a)(iii) above, which are not required for the payment to be made to Owners, will be paid over to the District, after the payment of any amounts due to the Trustee pursuant to the Trust Agreement, and any other Additional Payments due under the Lease.

(c) Surviving Provisions. Notwithstanding the satisfaction and discharge thereof, the Trustee will retain such rights, powers and privileges thereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, with respect to the Certificates and for the registration, transfer and exchange of the Certificates.

(d) Opinions and Reports. Prior to any defeasance becoming effective under the Trust Agreement, the District will cause to be delivered (i) an executed copy of a report, addressed to the Trustee, the Insurer, and the District, in a form and substance acceptable to the Trustee and the District, of a nationally recognized firm of certified public accountants acceptable to the Insurer, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of the Trust Agreement, (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance acceptable to the Trustee, the District, and the Insurer, (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee, the Insurer and the District, in form and substance acceptable to the District and the Insurer, covering the validity and enforceability of the escrow agreement and substantially to the effect that such Certificates are no longer Outstanding under the Trust Agreement, and (iv) a certificate of discharge of the Certificates from the Trustee.

In addition, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the escrow agreement described in the foregoing paragraph shall provide that: (a) any substitution of securities will require: (i) the delivery of a verification report; (ii) an opinion of Special Counsel that such

substitution will not, in and of itself, adversely affect the exclusion from gross income of the Certificate Owners of the interest with respect to the Certificates for federal income tax purposes; and (iii) the prior written consent of the Insurer, which consent will not be reasonably withheld; (b) the District will not exercise any prior optional prepayment of the Certificates secured by the escrow agreement or any other prepayment other than mandatory sinking fund prepayments unless: (i) the right to make any such prepayment has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding certificates; and (ii) as a condition to any such prepayment there shall be provided to the Insurer a verification report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment; and (c) the District will not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Notwithstanding any other provision of the Trust Agreement, the Trust Agreement will not be discharged until all Policy Costs owing to the Insurer and all amounts due or to become due to the Insurer shall have been paid in full. The District's obligation to pay such amount will expressly survive payment in full of the Certificates.

The Insurer is entitled to receive copies of substantially final drafts of the above-referenced documents not less than three (3) Business Days prior to the funding of the escrow.

**Non-Presentation of Certificates.** In the event any Certificate will not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the District to the Owner thereof for payment of such Certificate will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Certificate who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Trust Agreement or on, or with respect to, said Certificate.

Any moneys so deposited with and held by the Trustee not so applied to the payment of interest or principal with respect to Certificates within two (2) years after the date on which the same shall have become due will be paid by the Trustee to the District, free from the trusts created by the Trust Agreement. In addition, Trustee will be indemnified from and against any and all liabilities to third parties resulting from its actions under the Trust Agreement. Thereafter, Owners will be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District will not be liable for any interest on the sums paid to it pursuant to the provisions of the Trust Agreement summarized in this paragraph and will not be regarded as a trustee or trustees of such money.

**Acquisition of Certificates by District.** All Certificates acquired by the District, whether by purchase, gift or otherwise, will be surrendered by the District to the Trustee for cancellation.

**Records.** The Trustee will keep complete and accurate records of all moneys received and disbursed by it under the Trust Agreement, which will be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

**Waiver of Notice.** Whenever in the Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

**Separability of Invalid Provisions.** In case any one or more of the provisions contained in the Trust Agreement or in the Certificates will for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability will not affect any other provision of the Trust Agreement, and the Trust Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The parties thereto declare that they would have entered into the Trust Agreement and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Trust Agreement may be held illegal, invalid or unenforceable.



**Provisions Relating to Certificate Insurance.** Notwithstanding any other provision in the Trust Agreement to the contrary, the following provisions will apply for the benefit of the Insurer:

(a) Any notice that is required to be given to any Owners, Information Services, or the Depository will be given to the Insurer.

(b) Notwithstanding any other provision in the Trust Agreement, in determining whether the rights of the Owners will be adversely affected by an action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee will consider the effect of such action on the Owners as if there were no Insurance Policy.

(c) The Insurer will be deemed to be the sole Owner of all of the Certificates, for purposes of

(i) exercising all remedies, directing the Trustee to take actions, approving amendments or for any other purposes following an Event of Default, and

(ii) granting any consent, direction or approval, exercising any privilege, casting any vote or taking any action permitted by or required under the Trust Agreement, as the case may be, to be granted or taken by the Owners of the Certificates pertaining to defaults and remedies, or the duties and obligations of the Trustee.

(d) The Trustee and Owners have appointed the Insurer as their agent and attorney-in-fact with respect to the Certificates and have agreed that the Insurer may at any time during the continuation of any Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including without limitation all matters relating to any claim or enforcement proceeding in connection an Insolvency Proceeding (a "Claim"), the direction of any appeal of any order relating to any Claim, the posting of any surety, supersedeas or performance bond pending any such appeal, and the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and Owners have delegated and assigned to the Insurer, to the fullest extent permitted by law, their rights with respect to the Certificates in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(e) If an Insurer Default occurs and is continuing, then, notwithstanding anything contained in the Trust Agreement to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Policy, to the extent of such payment the Insurer will be treated like any other Certificate Owners for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Policy, the Insurer will have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Policy, in which event, the foregoing clause (1) will control.

(f) Any provision in the Trust Agreement expressly recognizing or granting rights in and to the Insurer may not be amended in any manner that affects the rights of the Insurer without the prior written consent of the Insurer.

(g) Whenever the consent of the Owners of Certificates is required pursuant to the provisions in the Trust Agreement, the Insurer's prior written consent will also be required.

(h) **Payment Procedures Under the Insurance Policy.**

(i) In the event that principal and/or interest due with respect to the Certificates is paid by the Insurer pursuant to the Policy, the Certificates will remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the Certificate Owners will continue to exist and shall run to the benefit of the Insurer, and the Insurer will be subrogated to the rights of such Certificate Owners.

(ii) If, on the second Business Day prior to a Certificate Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Certificates due on such Certificate Payment Date, the Trustee will

give notice to the Insurer or its designee on the same Business Day by telephone or electronic mail of the amount of such deficiency. If any deficiency is made up in whole or in part prior to or on the Certificate Payment Date, the Trustee will so notify the Insurer or its designee.

(iii) In addition, if the Trustee has notice that any Certificate Owner has been required to disgorge payments of principal or interest with respect to the Certificates pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Certificate Owner within the meaning of any applicable bankruptcy law, then the Trustee will notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer

(iv) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Certificate Owners as follows:

(A) If there is a deficiency in amounts required to pay interest and/or principal with respect to the Certificates, the Trustee will (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Certificate Owners in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest with respect to the Certificates, (ii) receive as designee of the respective Certificate Owners (and not as Trustee) in accordance with the tenor of the Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal and interest with respect to the Certificates, and (iv) disburse the same to such respective Certificate Owners; and

(B) If there is a deficiency in amounts required to pay principal with respect to the Certificates, the Trustee will (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Certificate Owner in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Certificates surrendered to the Insurer, (ii) receive as designee of the Insurer (and not as Trustee) in accordance with the tenor of the Policy payment therefore from the Insurer, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal and interest with respect to the Certificates, and (iv) disburse the same to such Certificate Owners.

(v) The Trustee will designate any portion of payment of principal evidenced by Certificates paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, if any, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current Certificate Owner, whether DTC or its nominee or otherwise, and will issue a replacement Certificate to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate will have no effect on the amount of principal or interest payable by the District with respect to any Certificate or the subrogation rights of the Insurer.

(vi) Payments with respect to claims for interest and principal with respect to the Certificates disbursed by the Trustee from proceeds of the Policy will not be considered to discharge the obligation of the District with respect to such Certificates, and the Insurer will become the owner of such unpaid Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

(vii) Irrespective of whether any such assignment is executed and delivered, the District and the Trustee have agreed for the benefit of the Insurer that:

(A) They have recognized that to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal or interest with respect to the Certificates, the Insurer will be subrogated to the rights of such Certificate Owners to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Certificates; and

(B) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the Security Documents and the Certificates, but only from the sources and in the manner provided therein for the payment of principal and interest with respect to the Certificates to Certificate Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(viii) The Insurer will be entitled to pay principal or interest with respect to the Certificates that become Due for Payment but are unpaid by reason of Nonpayment by the District (as such terms are defined in the Policy).

(i) Additional Payments to the Insurer:

(i) Notwithstanding anything in the Trust Agreement to the contrary, the District has agreed to pay or reimburse to the Insurer all Administrative Costs, to the extent permitted by law, subject solely to annual budget appropriation by the District and the Lease, and provided that such payments or reimbursements constitute Additional Payments under the Lease. The District has agreed that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer or until the date that the Insurer is paid in full

(ii) Notwithstanding anything in the Trust Agreement to the contrary, the District has agreed to pay the Insurer, to the extent permitted by law and subject solely to annual appropriation by the District and the Lease; and provided further that such payments or reimbursements constitute Additional Payments under the Lease, all BAM Reimbursement Amounts.

(j) Insurer's Rights. Anything in the Trust Agreement to the contrary notwithstanding, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, upon the occurrence and continuance of a default or an Event of Default, the Insurer will be deemed to be the sole Owner of the Certificates for all purposes of the Trust Agreement, including but not limited to exercising remedies and approving amendments, and will be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Certificates or the Trustee for the benefit of the Owners of the Certificates, and the Trustee may not waive any default or Event of Default without the Insurer's written consent.

In addition, to the extent permitted by law, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, any reorganization or liquidation plan with respect to the District must be acceptable to the Insurer in writing and in the event of any Insolvency Proceeding, the Insurer will have the right to vote on behalf of all holders of the Certificates.

(k) The rights granted to the Insurer under the Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the Certificate Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Certificate Owners or any other person is required in addition to the consent of the Insurer.

(l) No contract will be entered into or any action taken by which the rights of the Insurer may be impaired or prejudiced in any material respect, except upon the prior written consent of the Insurer.

(m) The Corporation and the District will permit the Insurer to discuss the affairs, finances and accounts of the Corporation and the District or any information the Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the Corporation and the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Corporation and the District on any Business Day upon reasonable prior notice.

**Information to be Provided to the Insurer.** The District will furnish to the Insurer the following:

- (a) Annual audited financial statements within nine months after the end of the District's fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Trust Agreement or the Lease), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time. Annual reports and notices of enumerated events filed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") portal will be deemed delivered to the Insurer;
- (b) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Certificates;
- (c) Notice of any default known to the Trustee or District within five Business Days after knowledge thereof;
- (d) Prior notice of the advance refunding or prepayment of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof;
- (e) Prior written notice of the name change or of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;
- (f) Notice of the commencement of any Insolvency Proceeding by or against the Corporation or the District;
- (g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest with respect to the Certificates;
- (h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Security Documents; and
- (i) All reports, notices and correspondence to be delivered to Certificate Owners under the terms of the Security Documents.

**Interested Parties.**

- (a) Insurer as Third Party Beneficiary. The Insurer has been deemed to be a third-party beneficiary of the Trust Agreement.
- (b) Parties Interested therein. Nothing in the Trust Agreement expressed or implied is intended or will be construed to confer upon, or to give grant to any person or entity, other than the District, the Corporation, the Trustee, the Insurer and the Owners of the Certificates, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the District will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer and the registered owners of the Certificates.

**THE ASSIGNMENT AGREEMENT**

The Assignment Agreement provides for the transfer, assignment and setting over by the Corporation to the Trustee, for the benefit of the Owners of Certificates, all of the Corporation's rights under the Lease (excepting only the Corporation's rights to recover attorneys' fees and expenses in the event the Corporation is a non-defaulting party to the Lease after a default), including, without limitation, (1) the right to receive and collect all of the Lease Payments, Additional Payments and Prepayments from the District under the Lease; (2) the right to receive and collect any proceeds of any insurance maintained pursuant to the Lease, or any condemnation award rendered with respect to the Property or any lease of the Property in the event of a default by the District under the Lease; (3) the right to take all actions and give all consents under the Lease; (4) the right to exercise such rights and remedies

conferred on the Corporation under the Lease as may be necessary or convenient (a) to enforce payment of the Lease Payments, Additional Payments, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Net Proceeds Fund or any other fund established under the Trust Agreement, or (b) otherwise to protect the interests of the Corporation in the event of a default by the District under the Lease; and (5) the right of the Corporation to receive rentals in excess of Lease Payments as compensation for re-letting the Property upon events of default under the Lease. The Trustee accepts such assignment for the benefit of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

#### **THE SITE LEASE**

Pursuant to the Site Lease, the District, as lessor, leases to the Corporation, as lessee, all of its right, title and interest in the Property. The term of the Site Lease will commence as of the date of the Lease and will remain in effect until the expiration of the term of such Lease. The Property will be simultaneously leased back to the District under the Lease, and title will remain in the District.

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**APPENDIX B**

**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL  
FOR THE CERTIFICATES**

\_\_\_\_\_, 2019

Board of Education  
Tahoe-Truckee Unified School District

§ \_\_\_\_\_  
**TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT**  
**Certificates of Participation**  
**(2019 School Financing Project)**  
**Evidencing the Fractional Interests of the**  
**Owners Thereof in Lease Payments to be**  
**Made by the**  
**TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT**

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$ \_\_\_\_\_ principal amount of Tahoe-Truckee Unified School District Certificates of Participation (2019 School Financing Project) and dated the Date of Delivery (the "Certificates"), evidencing the fractional interests of the registered owners thereof in the right to receive certain Lease Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Lease/Purchase Agreement (the "Lease"), dated as of September 1, 2019, between the Tahoe-Truckee Unified School District (the "District") and the Tahoe Truckee Unified School District Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), all of which right to receive such Lease Payments has been assigned without recourse by the Corporation to U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), pursuant to the Trust Agreement, dated as of September 1, 2019, by and among the District, the Corporation and the Trustee (the "Trust Agreement"), which Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to certify the same by independent investigation.

In our opinion, such proceedings show lawful authority for the execution and delivery by the District of the Trust Agreement and the Lease under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and the Corporation as appropriate, are

valid and binding obligations of the District, enforceable against the District in accordance with their respective terms. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement. The obligation of the District to make the Lease Payments under the Lease does not constitute a debt of the District or the State of California, or of any political subdivision thereof, within the meaning of any constitutional debt limit or restriction, does not violate any statutory debt limitation, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

We are further of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

We are further of the opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

We are further of the opinion that the difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Certificates constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate. Original issue discount that accrues to the Certificate owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

We are further of the opinion that the amount by which a Certificate owner's original basis for determining loss on sale or exchange in the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Certificate premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Certificate premium reduces the Certificate owner's basis in the applicable Certificate (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Certificate premium may result in a Certificate owner realizing a taxable gain when a Certificate is sold by the Certificate owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Certificate owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Certificate if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Certificates.



The opinions expressed herein as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Certificates there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Certificates or the market value of the Certificates. No assurance can be given that subsequent to the issuance of the Certificates such changes or interpretations will not occur.

With respect to the opinions expressed herein, the rights and obligations under the Certificates, the Lease and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

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**APPENDIX C**

**2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

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**TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2018

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2018

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TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2018  
(Continued)

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Tahoe Truckee Unified School District  
Truckee, 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 Tahoe Truckee Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Tahoe Truckee Unified School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tahoe Truckee Unified School 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.

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(Continued)



## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 16 and the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions (Pensions) on pages 55 to 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tahoe Truckee Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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(Continued)

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Tahoe Truckee Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Tahoe Truckee Unified School District's internal control over financial reporting and compliance.

**Crowe LLP**

Crowe LLP

Sacramento, California  
December 10, 2018

**TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section of Tahoe-Truckee Unified School District's annual financial report presents District management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 2, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 17 through 18, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 19 through 24, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- The District's Financial status remains positive. The total net position increased by \$7,041,619 or 12.52%.
- Capital assets, net of depreciation, increased by \$37,366,834. Capital assets are mainly financed by developer Fees, State matching funds, federal grants, and Measure E, Measure U and Measure R bond proceeds.
- Long-term debt increased by \$54,961,204 due to the issuance of GO Bond in the amount of \$52,500,000 and increase of net STRS and PERS pension liabilities and OPEB liabilities as required by GASB 68 and GASB 75, respectively.
- October Enrollment in the District decreased 20 students from 3,941 to 3,921.
- The District maintains reserves that exceed the state required 3% minimum Reserve for Economic Uncertainties (REU). The total General Fund REU increased from 12.7% to 12.8%.

## THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, required supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental fund statements. These statements include short-term financing and identify the balance remaining for future spending.
  - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
  - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statement. A comparison of the District's budget for the year is included.

### Reporting the District as a Whole

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statements of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

*Governmental Activities:*

The basic services provided by the District, such as regular and special education, adult education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

Reporting the District's Most Significant Funds:

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District established many other funds as needed to control and manage money for specific purposes.

*Major Governmental Funds*

The major governmental funds of Tahoe-Truckee Unified School District are the General Fund, the Building Fund and Bond Interest & Redemption Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*All Non-Major Funds*

The District provides additional services that are outside of the General Fund and are minor in nature. These services include Adult Education, Child Development, Cafeteria, Deferred Maintenance and Capital Facilities Funds.

*Fiduciary Funds*

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

GOVERNMENTAL ACTIVITIES

The District’s net position increased from \$56,256,707 at June 30, 2017 to \$63,298,066 at June 30, 2018. This results in an increase of \$7,041,619 to the 2017 - 2018 net position. However, it should be noted that the ending net position as of July 1, 2017 for the 2016 – 2017 fiscal year was restated from \$58,456,707 to \$56,256,707

<b>Statement of Net Position</b>		
	<b>2017 - 2018</b>	<b>2016 - 2017</b>
Current and Other Assets	\$ 166,192,244	\$ 149,670,145
Capital Assets	209,481,070	172,114,236
Total Assets	<u>375,673,314</u>	<u>321,784,381</u>
Deferred Outflows of resources	<u>20,450,428</u>	<u>12,450,800</u>
Current Liabilities	13,197,392	12,656,394
Other and Long Term Liabilities	316,014,284	261,053,080
Total Liabilities	<u>329,211,676</u>	<u>273,709,474</u>
Deferred Inflows of resources	<u>3,614,000</u>	<u>2,069,000</u>
Invested in captial assets, net of related debt	87,863,927	72,531,146
Restricted	42,018,667	41,692,851
Unrestricted	<u>(66,584,528)</u>	<u>(55,767,290)</u>
Total Net Position	<u>\$ 63,298,066</u>	<u>\$ 58,456,707</u>
Table includes financial data of the combined government funds		

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

The District net position increased by \$7,041,619 during fiscal year 2017 - 2018.

<b>Changes In Net Position</b>		
<i>Revenues</i>	<b>2017 - 2018</b>	<b>2016 - 2017</b>
Program Revenues:		
Charge For Services	\$ 557,452	\$ 504,070
Operating Grants	12,651,731	9,271,127
General Revenues:		
Property Taxes	68,642,998	66,772,907
Federal & State Aid	2,595,721	2,676,021
Other	10,051,974	4,858,619
	<u>94,499,876</u>	<u>84,082,744</u>
<b>Program Expenses</b>		
Instruction	36,274,677	36,352,235
Instruction Related Services	8,683,502	7,970,894
Pupil Services	9,481,254	8,608,371
General Administration	4,013,314	3,667,987
Plant Services	12,855,138	12,641,313
Ancillary Services	1,006,058	883,369
Community Services	10,000	33,212
Other	15,134,314	7,629,446
	<u>87,458,257</u>	<u>77,786,827</u>
Total Expenses	87,458,257	77,786,827
Increase in Net Position	7,041,619	6,295,917
Net Position- Beginning	<u>58,456,707</u>	<u>52,160,790</u>
Net Position- Ending as previously stated July 1, 2017	<u>58,456,707</u>	<u>58,456,707</u>
Restatement for July 1, 2017	<u>(2,200,260)</u>	<u>-</u>
Net Position July 1, 2017 as restated	<u>56,256,447</u>	<u>-</u>
Net Position- Ending	<u>\$ 63,298,066</u>	<u>\$ 58,456,707</u>
Table includes financial data of the combined government funds		

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

The table below presents the cost of major District activities. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$74,249,074 net cost represents the financial burden that was placed on the District’s general revenues for providing the services listed. Further detail is available in the audit report.

<b>Comparative Schedule of Costs of Services</b>		
	Total Cost of Services	Net Cost of Services
	<u>2017 - 2018</u>	<u>2017 - 2018</u>
Instruction	36,274,677	\$ 30,735,188
Instruction Related Services	8,683,502	7,893,976
Pupil Services	9,481,254	7,238,662
General Administration	4,013,314	3,847,970
Plant Services	12,855,138	8,451,517
Ancillary Services	1,006,058	986,656
Community Services	10,000	10,000
Other	-	-
Interest on Long-Term Liabilities	14,735,444	14,735,444
Other Outgo	398,870	349,661
Totals	<u>\$ 87,458,257</u>	<u>\$ 74,249,074</u>

Table includes financial data of the combined government funds

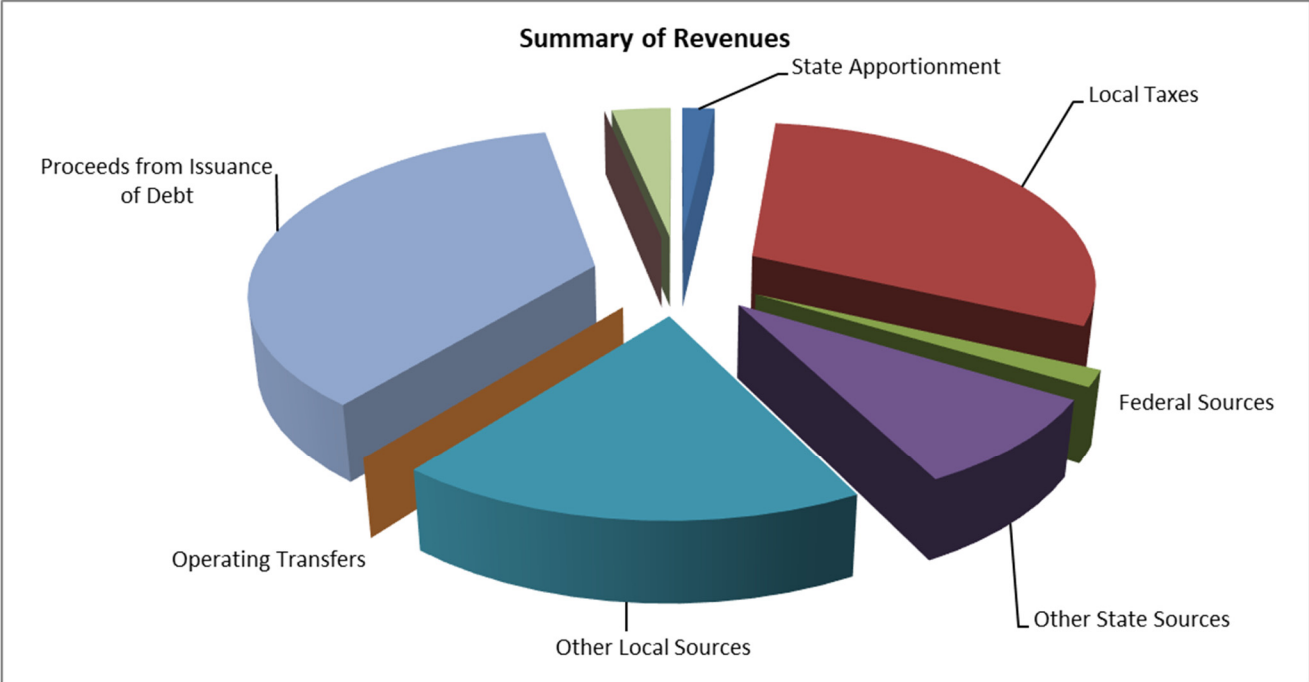
In fiscal year 2017 - 2018, program revenues financed 15.1% of the cost of providing the services listed above, while the remaining 84.9% were financed by general revenues of the District. The percentages were 12.5% and 87.4%, respectively in 2016 - 2017.



**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

Revenues for the District in 2017 - 2018 decreased by \$31,756,435 or 17.7% over 2016 - 2017 totals. This decrease is mainly attributed to the reduction in GO Bond Issuances in 2017 – 2018. In 2016 – 2017 the District issued \$84,000,000 in Measures E and U General Obligation Bonds while only 52.5 Million were issued in 2017 – 2018. The table below summarizes all revenue sources in 2017 - 2018.

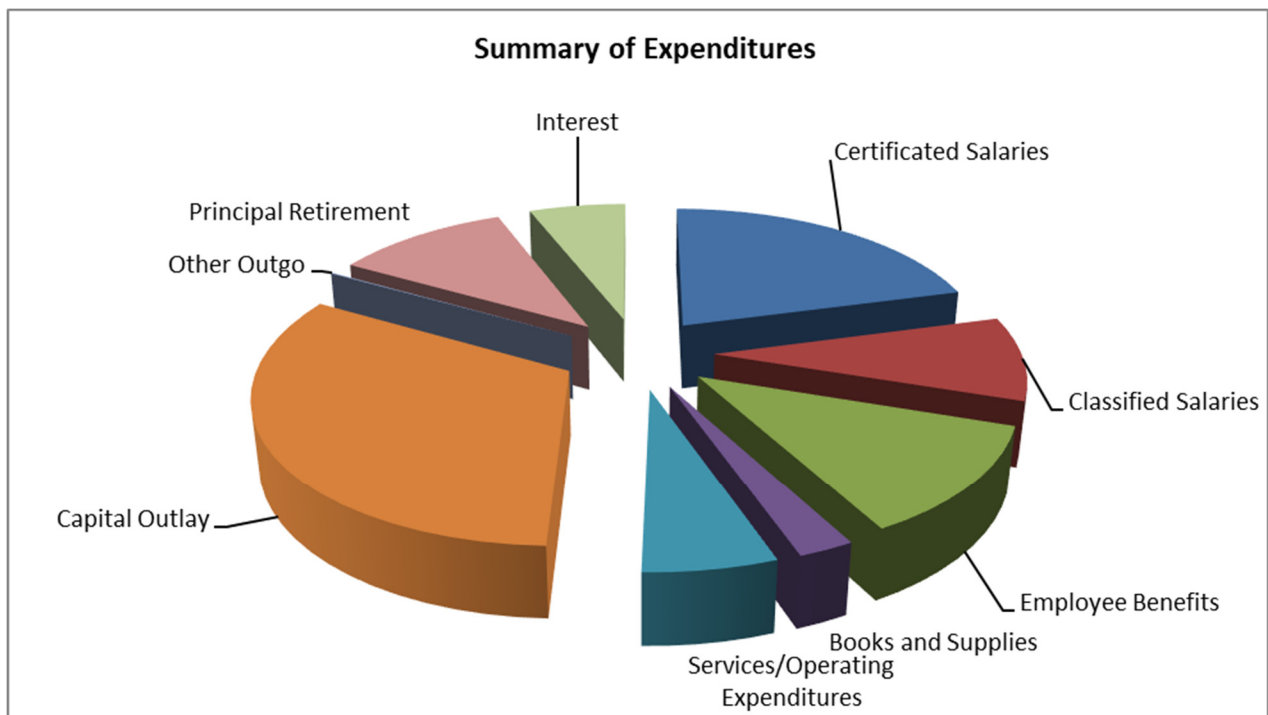
<b>Summary of Revenues for Governmental Funds</b>				
	<b>FY 2018 Amount</b>	<b>Percent of Total</b>	<b>FY 2017 Amount</b>	<b>Percent of Total</b>
<b>Revenues</b>				
LCFF Sources				
State Apportionment	\$ 2,641,732	1.8%	\$ 2,642,056	1.5%
Local Taxes	44,584,364	30.3%	41,849,657	23.4%
Total LCFF Sources	47,226,096	32.0%	44,491,713	24.8%
Federal Sources				
	2,380,932	1.6%	2,290,115	1.3%
Other State Sources				
	13,033,010	8.8%	11,333,032	6.3%
Other Local Sources				
	26,771,471	18.2%	37,012,893	20.7%
Total Other Revenue	42,185,413	28.6%	50,636,040	28.3%
Other Financing Sources				
Proceeds from Issuance of Debt	57,959,809	39.3%	84,000,000	46.9%
Total Other Financing Sources	57,959,809	39.3%	84,000,000	46.9%
Total Revenues	\$ 147,371,318	100.0%	\$ 179,127,753	100.0%



**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

Total District expenditures in 2017 - 2018 increased by \$23,304,596 or 21.7% over 2016 - 2017 numbers. Most of this increase is attributable to increased staff costs, capital project expenditures, and the retirement of General Obligation Bond debt.

<b>Summary of Expenditures for Governmental Funds</b>				
	<b>FY 2018 Amount</b>	<b>Percent of Total</b>	<b>FY 2017 Amount</b>	<b>Percent of Total</b>
<b>Expenditures</b>				
Certificated Salaries	\$ 27,264,823	20.8%	\$ 26,184,471	24.4%
Classified Salaries	12,100,157	9.3%	12,057,159	11.2%
Employee Benefits	15,696,740	12.0%	14,364,212	13.4%
Books and Supplies	3,245,412	2.5%	3,826,665	3.6%
Services/Operating Expenditures	7,686,815	5.9%	7,365,169	6.9%
Capital Outlay	42,717,752	32.7%	25,904,303	24.1%
Other Outgo	145,870	0.1%	163,457	0.2%
Principal Retirement	14,122,015	10.8%	13,281,551	12.4%
Interest	7,829,327	4.7%	4,357,328	4.1%
<b>Total Expenditures</b>	<b>\$ 130,808,911</b>	<b>100.0%</b>	<b>\$ 107,504,315</b>	<b>100.0%</b>



**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

Capital assets, net of depreciation increased \$37,366,834 due to new construction and modernization projects. Projects are financed through a combination of developer fees, federal grants, deferred maintenance funds, Measure E, Measure R and Measure U bond funds.

<b>Capital Assets</b>			
	<b>2017 - 2018</b>	<b>2016 - 2017</b>	<b>% Change</b>
Land	\$ 4,365,750	\$ 4,365,750	0.0%
Improvement of Sites	13,414,732	13,233,108	1.4%
Buildings	199,196,929	194,495,529	2.4%
Equipment	9,030,499	7,829,671	15.3%
Work in Process	<u>65,253,744</u>	<u>27,400,386</u>	138.1%
Subtotal	291,261,654	247,324,444	17.8%
Less: Accumulated Depreciation	<u>(81,780,584)</u>	<u>(75,210,208)</u>	8.7%
Capital Assets, net	<u>\$ 209,481,070</u>	<u>\$ 172,114,236</u>	21.7%

Long-term debt includes all of the district's long term liabilities. In the past this consisted of general obligation bonds, Certificates of participation, capital leases, other post-employment benefits, and compensated absences. With the implementation of GASB 68, the District has added STRS and Pers pension liabilities to this category. This resulted in a significant increase to long term-debt in comparison to years prior to 2015 - 2016. Overall, long-term debt increased by \$54,961,204 in 2017 - 2018. This is due to the issuance of \$52,500,000 in new General Obligation Bonds and increases in pension and OPEB liabilities. The net pension liabilities amount to \$64,869,000 or 20.5% of total long-term debt. The general obligation bonds are financed by the local taxpayers and represent 78% of the District's total long-term liabilities. The OPEB obligation liabilities amount to \$2,802,415 and represent .8% of the District's long-term liabilities. This amount has increased due the new requirement to recognize the District's full remaining OPEB liability under GASB 75. The capital lease obligations outstanding represent .5% of the District's long-term liabilities. The remaining components account for 0.2% of the District's long-term liabilities.

<b>Long-term Debt</b>			
	<b>2017 - 2018</b>	<b>2016 - 2017</b>	<b>% Change</b>
Compensated Absences	\$ 244,001	\$ 266,829	-8.6%
General Obligation Bonds	246,441,145	200,507,009	22.9%
Certificates of Participation	-	760,000	-100.0%
Capitalized Lease Obligations	1,657,723	1,565,397	5.9%
Net Pension Liability	64,869,000	57,096,000	13.6%
Total OPEB Obligation	<u>2,802,415</u>	<u>857,845</u>	226.7%
Totals	<u>\$ 316,014,284</u>	<u>\$ 261,053,080</u>	21.1%

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts and future debt retirement dates.

## **FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

The combined fund balances of all the District's governmental funds increased by \$21,174,770. Most of this increase was a result of the increase to the Building Fund from new bond proceeds and the increase to the Bond Interest and Redemption Fund.

<b>Comparative Schedules of Fund Balances</b>			
	<b>Fund Balance June 30, 2018</b>	<b>Fund Balance June 30, 2017</b>	<b>Increase/ Decrease</b>
General	\$ 13,198,078	\$ 12,652,019	\$ 546,059
Building Fund	103,419,274	87,990,169	15,429,105
Bond Interest and Redemption	36,921,480	35,683,020	1,238,460
All Non-Major Funds	3,166,143	3,817,360	(651,217)
<b>Totals</b>	<b>\$ 156,704,975</b>	<b>\$ 140,142,568</b>	<b>\$ 16,562,407</b>

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The Original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget, if needed. In addition, the District revises its budget at First and Second interim. The Budget to actual presented on page \_ reflects the original budget, final budget and the actual revenue and expenditures for the year.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District has maintained its basic aid status during fiscal year 2017 - 2018. The property tax revenue collections continue to exceed the LCFF transition grants funded by the State. However, there is some uncertainty surrounding the pace of TTUSD property tax revenue increases in the future. Although, TTUSD will receive an estimated 6.6% increase in property taxes in 2018 - 2019, the District will maintain conservative assumptions in future years.

TTUSD is subject to many financial risks and situations including, but not limited to: fluctuating property tax revenue, repeal of basic aid status, parcel tax revenue, charter schools, depletion of one-time revenues, enrollment increases, declining developer fee revenue and PERS/STRS rate adjustments.

In recognition of these substantial financial risks, the TTUSD School Board revised Board Policy #3100, furthering its commitment to maintain reserves that exceed the state required minimum of 3%. Board Policy #3100 establishes a static reserve for economic uncertainty range of 10-16% of total general fund expenditures.

## **CONTACT THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with general overview of the District's finances and to show the District's accountability for the money it received. If you have questions regarding this report or need additional financial information, contact Todd Rivera, Executive Director of Business Services, Tahoe-Truckee Unified School District, 11603 Donner Pass Road, Truckee, California 96161.

## **BASIC FINANCIAL STATEMENTS**



TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 162,898,938
Receivables	3,168,400
Stores inventory	113,868
Prepaid expenses	11,038
Non-depreciable capital assets (Note 4)	69,619,494
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>139,861,576</u>
Total assets	<u>375,673,314</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow of resources - pensions (Notes 7 and 8)	19,574,401
Deferred outflow of resources - OPEB (Note 9)	346,308
Deferred loss on refunding of debt	<u>529,719</u>
Total deferred outflows	<u>20,450,428</u>
<b>LIABILITIES</b>	
Accounts payable	12,799,854
Unearned revenue	397,538
Long-term liabilities (Notes 5, 7, 8 and 9):	
Due within one year	18,902,492
Due after one year	<u>297,111,792</u>
Total liabilities	<u>329,211,676</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>3,614,000</u>
<b>NET POSITION</b>	
Net investment in capital assets	87,863,927
Restricted:	
Legally restricted programs	2,109,464
Capital projects	2,987,723
Debt service	36,921,480
Unrestricted	<u>(66,584,528)</u>
Total net position	<u>\$ 63,298,066</u>

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

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 36,274,677	\$ 142,384	\$ 5,397,105	\$ -	\$ (30,735,188)
Instruction-related services:					
Supervision of instruction	1,964,657	-	391,214	-	(1,573,443)
Instructional library, media and technology	1,714,309	-	67,498	-	(1,646,811)
School site administration	5,004,536	14,251	316,563	-	(4,673,722)
Pupil services:					
Home-to-school transportation	3,500,007	-	-	-	(3,500,007)
Food services	1,903,159	251,788	960,706	-	(690,665)
All other pupil services	4,078,088	34,687	995,411	-	(3,047,990)
General administration:					
Data processing	503,994	-	-	-	(503,994)
All other general administration	3,509,320	11,104	154,240	-	(3,343,976)
Plant services	12,855,138	101,818	4,301,803	-	(8,451,517)
Ancillary services	1,006,058	-	19,402	-	(986,656)
Community services	10,000	-	-	-	(10,000)
Interest on long-term liabilities	14,735,444	-	-	-	(14,735,444)
Other outgo	398,870	1,420	47,789	-	(349,661)
	<u>\$ 87,458,257</u>	<u>\$ 557,452</u>	<u>\$ 12,651,731</u>	<u>\$ -</u>	<u>(74,249,074)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					46,348,403
Taxes levied for debt service					16,749,289
Taxes levied for other specific purposes					5,545,306
Federal and state aid not restricted to specific purposes					2,595,721
Interest and investment earnings					749,582
Interagency revenues					115,627
Miscellaneous					9,186,765
					<u>81,290,693</u>
					Change in net position
					7,041,619
					Net position, July 1, 2017, as previously stated
					<u>58,456,707</u>
					Restatement
					<u>(2,200,260)</u>
					Net position, July 1, 2017, as restated
					<u>56,256,447</u>
					Net position, June 30, 2018
					<u>\$ 63,298,066</u>

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

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	General Fund	Building Fund	Bond Interest & Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 11,824,650	\$111,101,207	\$ 36,921,480	\$ 2,578,512	\$162,425,849
Cash in revolving fund	20,000	-	-	-	20,000
Cash in bank	2,000	-	-	1,000	3,000
Collections waiting deposit	59,398	-	-	390,691	450,089
Receivables	2,477,562	166,806	-	524,032	3,168,400
Stores inventory	58,500	-	-	55,368	113,868
Due from other funds	494,339	-	-	176,715	671,054
Prepaid expenditures	7,013	-	-	4,025	11,038
	<u>14,943,462</u>	<u>111,268,013</u>	<u>36,921,480</u>	<u>3,730,343</u>	<u>166,863,298</u>
Total assets	<u>\$ 14,943,462</u>	<u>\$111,268,013</u>	<u>\$ 36,921,480</u>	<u>\$ 3,730,343</u>	<u>\$166,863,298</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,171,131	\$ 7,848,739	\$ -	\$ 69,861	\$ 9,089,731
Unearned revenue	397,538	-	-	-	397,538
Due to other funds	176,715	-	-	494,339	671,054
	<u>1,745,384</u>	<u>7,848,739</u>	<u>-</u>	<u>564,200</u>	<u>10,158,323</u>
Total liabilities	<u>1,745,384</u>	<u>7,848,739</u>	<u>-</u>	<u>564,200</u>	<u>10,158,323</u>
Fund balances:					
Nonspendable	85,513	-	-	59,393	144,906
Restricted	1,931,044	103,419,274	36,921,480	3,106,750	145,378,548
Assigned	2,759,657	-	-	-	2,759,657
Unassigned	8,421,864	-	-	-	8,421,864
	<u>13,198,078</u>	<u>103,419,274</u>	<u>36,921,480</u>	<u>3,166,143</u>	<u>156,704,975</u>
Total fund balances	<u>13,198,078</u>	<u>103,419,274</u>	<u>36,921,480</u>	<u>3,166,143</u>	<u>156,704,975</u>
Total liabilities and fund balances	<u>\$ 14,943,462</u>	<u>\$111,268,013</u>	<u>\$ 36,921,480</u>	<u>\$ 3,730,343</u>	<u>\$166,863,298</u>

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

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2018

Total fund balances - Governmental Funds \$ 156,704,975

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$291,261,654 and the accumulated depreciation is \$81,780,584 (Note 4). 209,481,070

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2018 consisted of (Note 5):

Capitalized lease obligations	\$	(1,657,723)	
General Obligation Bonds		(226,387,732)	
Unamortized premiums		(20,053,413)	
Net pension liability (Note 7 and 8)		(64,869,000)	
Total OPEB Liability (Note 9)		(2,802,415)	
Compensated absences		<u>(244,001)</u>	
			(316,014,284)

In governmental funds, deferred inflows and deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred inflows or deferred outflows of resources. 529,719

In government 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 (Notes 7 and 8).

Deferred outflows of resources relating to OPEB	\$	346,308	
Deferred outflows of resources relating to pensions		19,574,401	
Deferred inflows of resources relating to pensions		<u>(3,614,000)</u>	
			16,306,709

In governmental funds, interest on long-term liabilities 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. (3,710,123)

Total net position - governmental activities \$ 63,298,066

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

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest & Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 2,641,732	\$ -	\$ -	\$ -	\$ 2,641,732
Local sources	<u>44,584,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,584,364</u>
Total LCFF	<u>47,226,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,226,096</u>
Federal sources	1,372,919	-	-	1,008,013	2,380,932
Other state sources	6,899,288	-	5,510,184	623,538	13,033,010
Other local sources	<u>10,289,583</u>	<u>1,733,688</u>	<u>11,715,085</u>	<u>3,033,115</u>	<u>26,771,471</u>
Total revenues	<u>65,787,886</u>	<u>1,733,688</u>	<u>17,225,269</u>	<u>4,664,666</u>	<u>89,411,509</u>
<b>Expenditures:</b>					
Current:					
Certificated salaries	27,223,016	-	-	41,807	27,264,823
Classified salaries	10,187,698	644,289	-	1,268,170	12,100,157
Employee benefits	14,972,170	206,609	-	517,961	15,696,740
Books and supplies	2,529,958	15,277	-	700,177	3,245,412
Contract services and operating expenditures	6,697,753	642,475	208,105	138,482	7,686,815
Other outgo	145,870	-	-	-	145,870
Capital outlay	2,895,968	37,295,933	-	2,525,851	42,717,752
Debt service:					
Principal retirement	522,015	-	12,815,000	785,000	14,122,015
Interest	<u>36,744</u>	<u>-</u>	<u>7,784,172</u>	<u>8,411</u>	<u>7,829,327</u>
Total expenditures	<u>65,211,192</u>	<u>38,804,583</u>	<u>20,807,277</u>	<u>5,985,859</u>	<u>130,808,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>576,694</u>	<u>(37,070,895)</u>	<u>(3,582,008)</u>	<u>(1,321,193)</u>	<u>(41,397,402)</u>
<b>Other financing sources (uses):</b>					
Transfers in	92,989	-	-	762,965	855,954
Transfers out	(762,965)	-	-	(92,989)	(855,954)
Premium on issuance of bonds	-	-	4,820,468	-	4,820,468
Proceeds from the issuance of debt	<u>639,341</u>	<u>52,500,000</u>	<u>-</u>	<u>-</u>	<u>53,139,341</u>
Total other financing sources (uses)	<u>(30,635)</u>	<u>52,500,000</u>	<u>4,820,468</u>	<u>669,976</u>	<u>57,959,809</u>
Net change in fund balances	546,059	15,429,105	1,238,460	(651,217)	16,562,407
Fund balances, July 1, 2017	<u>12,652,019</u>	<u>87,990,169</u>	<u>35,683,020</u>	<u>3,817,360</u>	<u>140,142,568</u>
Fund balances, June 30, 2018	<u>\$ 13,198,078</u>	<u>\$103,419,274</u>	<u>\$ 36,921,480</u>	<u>\$ 3,166,143</u>	<u>\$156,704,975</u>

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

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds	\$	16,562,407
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$	43,937,210
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(6,570,376)
In governmental funds, deferred outflows of resources from refunding of debt are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources are amortized over the life of the debt.		(75,675)
In governmental funds, debt issued at a premium is recognized as an other financing source. In government-wide statements, debt issued at a premium is amortized as interest over the life of the debt (Note 5).		(4,569,193)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).		(53,139,341)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).		14,122,015
Accretion of interest increases long-term liabilities in the government-wide financial statements and is not recorded in the fund financial statements (Note 5).		(1,679,943)
In the governmental funds, interest on long-term liabilities 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.		(581,305)
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 (Notes 7 and 8).		(1,589,006)
In the statement of activities, expenses related to total OPEB liability and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 9).		624,826
		<u>(9,520,788)</u>
Change in net position of governmental activities	\$	<u>7,041,619</u>

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

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
June 30, 2018

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	Foundation Trust <u>Fund</u>	Agency <u>Funds</u>
<b>ASSETS</b>		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 33,245	\$ 1,878,004
Cash on hand and in banks	-	329,246
Receivables	<u>51</u>	<u>-</u>
Total assets	<u>33,296</u>	<u>\$ 2,207,250</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 1,878,004
Due to student groups	<u>-</u>	<u>329,246</u>
Total Liabilities	<u>-</u>	<u>\$ 2,207,250</u>
<b>NET POSITION</b>		
Restricted for Foundation Trust	<u>\$ 33,296</u>	

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

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
TRUST FUND  
For the Year Ended June 30, 2018

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	Foundation Trust <u>Fund</u>
Additions:	
Other local sources	\$          535
Net position, July 1, 2017	<u>          32,761</u>
Net position, June 30, 2018	<u><u>          \$  33,296</u></u>

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



TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District has determined the following represent component units:

The District and the Tahoe-Truckee Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship, which meets the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District.

The District and the Tahoe Truckee Unified School District Facilities Improvement Districts 1 and 2 (SFIDs) have a financial and operational relationship which meets the reporting entity definition criteria of *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the SFIDs as a blended component unit of the District.

The following are those aspects of the relationship between the District and the Corporation and the District and the SFIDs which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended by criteria:

A - Accountability:

1. The Corporation and SFIDs' Board of Directors was appointed by the District's Board of Trustees.
2. The Corporation and the SFIDs have no employees. The District's Executive Director functions as the agent of the Corporation and SFIDs and do not receive additional compensation for work performed in this capacity.
3. The District's Board exercises significant influence over operations of the Corporation and SFIDs as the District is the sole lessee of all facilities owned by the Corporation and SFIDs.
4. All major financing arrangements, contracts, and other transactions of the Corporation and SFIDs must have the consent of the District.
5. Any deficits incurred by the Corporation and SFIDs will be reflected in the lease payments of the District. Any surpluses of the Corporation and SFIDs revert to the District at the end of the lease period.
6. The District's lease payments are the sole revenue source of the Corporation and SFIDs.
7. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation and SFIDs.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B - Scope of Public Service:**

The Corporation and SFIDs were formed for the sole purpose of financially assisting the District. The Corporation and SFIDs were formed to provide financing assistance to the District for construction, rehabilitation and acquisition of major capital facilities to support the student population.

**C - Financial Presentation:**

For financial presentation purposes, the Corporation and SFIDs' financial activity has been blended with the financial data of the District. The basic financial statements present the Corporation and SFIDs' financial activity within the Building and Capital Facilities Funds.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds in the fund financial statements.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole, including the blended component units. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

*Program revenues:* Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

*Allocation of indirect expenses:* The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities are considered indirect expenses and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A - Major Funds:

**General Fund:** The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

**Building Fund:** The Building Fund is a capital projects fund used to account for resources used for the acquisition of capital facilities by the District.

**Bond Interest and Redemption Fund:** The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds:

**Special Revenue Funds:** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This classification includes the Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

**Capital Facilities Fund:** The Capital Facilities Fund is a capital projects fund used to account for resources used for the acquisition of capital facilities by the District.

**Foundation Trust Fund:** The Foundation Trust Fund is a trust fund used to account for amounts held by the District as Trustee.

**Agency Funds:** The Student Body Fund is used to account for the various funds for which the District has an agency relationship with the activity of the fund. The Student Body Fund accounts for the receipt and disbursement of monies from the student activity organizations. The Warrant Pass-Through Fund represents a payroll clearing account with funds held at the Placer County Office of Education for the accrued payroll liability as of June 30, 2018.

**Basis of Accounting:** Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees satisfied these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

Stores Inventory: Inventory is valued at latest invoice cost. Inventory recorded in the General and Cafeteria Funds consists mainly of consumable supplies. Inventory is recorded as an expenditure at the time individual inventory items are consumed or used in meal production.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years, depending on asset types.

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), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Also, the District has recognized a deferred outflow of resources relate to recognition of the pension liability and total OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Non-depreciable:			
Deferred outflows of resources	<u>\$ 13,074,663</u>	<u>\$ 6,499,738</u>	<u>\$ 19,574,401</u>
Deferred inflows of resources	<u>\$ 3,329,000</u>	<u>\$ 285,000</u>	<u>\$ 3,614,000</u>
Net pension liability	<u>\$ 44,518,000</u>	<u>\$ 20,351,000</u>	<u>\$ 64,869,000</u>
Pension expense	<u>\$ 5,929,851</u>	<u>\$ 3,758,277</u>	<u>\$ 9,688,128</u>

Compensated Absences: Compensated absences in the amount of \$244,001 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B employees when the employee retires.

Unearned Revenues: Revenues from federal, state and local special projects and programs are recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
  
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

**A - Nonspendable Fund Balance:**

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

**B - Restricted Fund Balance:**

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

**C - Committed Fund Balance:**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2018, the District had no committed fund balances.

**D - Assigned Fund Balance:**

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2018, no such designation has occurred.

**E - Unassigned Fund Balance:**

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At April 9th, 2014, the District established a minimum reserve for economic uncertainty policy of 10% to 16% of total General Fund expenditures. As of June 30, 2018, the District has a reserve of \$8,421,864 or 12.8%.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The Counties of Placer, Nevada and El Dorado bill and collect taxes for the District. Tax revenues are recognized by the District when received.

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

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated decreasing net position by \$2,200,260 because of the recognition of the total OPEB liability.

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2018 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 167,038,212	\$ 1,911,249
Deposits:		
Cash in revolving fund	20,000	-
Cash on hand and in banks	3,000	329,246
Collections awaiting deposit	<u>450,089</u>	<u>-</u>
Total cash	<u>\$ 167,511,301</u>	<u>\$ 2,240,495</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Placer County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in the financial statements at the amounts based upon the District's pro-rate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts was \$802,335 and the bank balance was \$470,844, of which \$47,714 was uninsured by the FDIC.

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(Continued)



TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

**NOTE 3 - INTERFUND TRANSACTIONS**

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at 2017-2018 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 494,339	\$ 176,715
Non-Major Fund:		
Adult Education	-	189
Child Development	176,715	228,310
Cafeteria	-	265,840
Totals	\$ 671,054	\$ 671,054

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

Transfers for the 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund to supplement program revenue.	\$ 171,838
Transfer from the General Fund to the Cafeteria Fund to supplement revenues.	591,127
Transfer from the Adult Education Fund to the General Fund for allocation of indirect costs.	5,074
Transfer from the Child Development Fund to the General Fund for allocation of indirect costs.	9,642
Transfer from the Cafeteria Fund to the General Fund for allocation of indirect costs.	78,273
	\$ 855,954

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance July 1, <u>2017</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 4,365,750	\$ -	\$ -	\$ 4,365,750
Work-in-process	27,400,386	42,050,734	4,197,376	65,253,744
Depreciable:				
Improvement of sites	13,233,108	181,624	-	13,414,732
Buildings	194,495,529	4,701,400	-	199,196,929
Equipment	<u>7,829,671</u>	<u>1,200,828</u>	<u>-</u>	<u>9,030,499</u>
Totals, at cost	<u>247,324,444</u>	<u>48,134,586</u>	<u>4,197,376</u>	<u>291,261,654</u>
Less accumulated depreciation:				
Improvement of sites	(2,815,188)	(775,184)	-	(3,590,372)
Buildings	(67,015,138)	(5,380,573)	-	(72,395,711)
Equipment	<u>(5,379,882)</u>	<u>(414,619)</u>	<u>-</u>	<u>(5,794,501)</u>
Total accumulated depreciation	<u>(75,210,208)</u>	<u>(6,570,376)</u>	<u>-</u>	<u>(81,780,584)</u>
Governmental activities capital assets, net	<u>\$172,114,236</u>	<u>\$ 41,564,210</u>	<u>\$ 4,197,376</u>	<u>\$209,481,070</u>

Depreciation expense was charged to governmental activities as follows:

Plant services	<u>\$ 6,570,376</u>
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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 5 - LONG-TERM LIABILITIES**

Capitalized Lease Obligations: The District leases certain equipment under a capital lease purchase agreement. The capitalized value for the equipment was \$3,841,277 with accumulated depreciation of \$2,603,751 as of June 30, 2018. Future minimum lease payments are as follows:

Year Ending June 30,	<u>Lease Payments</u>
2019	\$ 583,759
2020	583,759
2021	364,486
2022	<u>204,442</u>
Total	1,736,446
Less amount representing interest	<u>(78,723)</u>
Net minimum lease payments	<u><u>\$ 1,657,723</u></u>

Current Interest Bonds

<u>Date of Issuance</u>	<u>Interest Rate Percent</u>	<u>Maturity Date</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2017</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2018</u>
2002	3.25 - 5.50	2021	\$ 21,155,000	\$ 10,620,000	\$ -	\$ 2,240,000	\$ 8,380,000
2002	3.25 - 5.50	2021	15,835,000	7,925,000	-	1,670,000	6,255,000
2005	6.00	2020	4,080,000	4,080,000	-	-	4,080,000
2010	2.0 - 4.00	2018	6,290,000	1,050,000	-	1,050,000	-
2012	2.0 - 5.00	2030	11,605,000	9,870,000	-	590,000	9,280,000
2013	2.0 - 5.00	2025	3,615,000	2,100,000	-	405,000	1,695,000
2013	2.0 - 5.00	2031	13,450,000	11,050,000	-	670,000	10,380,000
2014	3.0 - 4.00	2047	20,000,000	15,585,000	-	4,355,000	11,230,000
2014	1.5 - 4.00	2047	19,500,000	17,890,000	-	1,835,000	16,055,000
2017	5.0	2040	54,000,000	54,000,000	-	-	54,000,000
2017	5.0	2042	30,000,000	30,000,000	-	-	30,000,000
2018	1.0 - 5.0	2035	40,000,000	-	40,000,000	-	40,000,000
2018	3.0 - 5.0	2037	12,500,000	-	12,500,000	-	12,500,000
			<u>\$252,030,000</u>	<u>\$164,170,000</u>	<u>\$ 52,500,000</u>	<u>\$ 12,815,000</u>	<u>\$203,855,000</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 13,815,000	\$ 8,656,256	\$ 22,471,256
2020	15,535,000	8,016,744	23,551,744
2021	12,300,000	7,393,144	19,693,144
2022	4,385,000	7,022,869	11,407,869
2023	4,825,000	6,834,856	11,659,856
2024-2028	31,265,000	30,380,169	61,645,169
2029-2033	44,635,000	21,899,819	66,534,819
2034-2038	43,500,000	12,384,925	55,884,925
2039-2043	26,880,000	3,528,994	30,408,994
2044-2047	<u>6,715,000</u>	<u>582,747</u>	<u>7,297,747</u>
	<u>\$ 203,855,000</u>	<u>\$ 106,700,523</u>	<u>\$ 310,555,523</u>

Capital Appreciation Bonds

Date of Issuance	Interest Rate Percent	Maturity Date	Amount of Original Issuance	Outstanding July 1, 2017	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2018
1999	8.50 - 8.56	2025	\$ 2,123,617	\$ 8,956,625	\$ 778,968	\$ -	\$ 9,735,593
1999	8.54 - 8.55	2025	1,573,994	6,673,749	582,638	-	7,256,387
2005	12.63	2025	821,340	1,773,618	113,130	-	1,886,748
2005	11.15	2025	<u>1,680,084</u>	<u>3,448,797</u>	<u>205,207</u>	<u>-</u>	<u>3,654,004</u>
			<u>\$ 6,199,035</u>	<u>\$ 20,852,789</u>	<u>\$ 1,679,943</u>	<u>\$ -</u>	<u>\$ 22,532,732</u>

The annual requirements to amortize the capital appreciation bonds payable, outstanding as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 4,291,308	\$ 1,698,692	\$ 5,990,000
2023	4,265,161	2,024,839	6,290,000
2024-2025	<u>13,976,263</u>	<u>8,358,737</u>	<u>22,335,000</u>
	<u>\$ 22,532,732</u>	<u>\$ 12,082,268</u>	<u>\$ 34,615,000</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	(As restated) Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>	Amounts Due Within <u>One Year</u>
Capitalized lease obligations	\$ 1,565,397	\$ 639,341	\$ 547,015	\$ 1,657,723	\$ 544,909
General Obligation Bonds:					
Current interest	164,170,000	52,500,000	12,815,000	203,855,000	13,815,000
Capital appreciation	20,852,789	1,679,943	-	22,532,732	4,291,308
Unamortized premiums	15,484,220	4,820,468	251,275	20,053,413	251,275
Certificates of Participation	760,000	-	760,000	-	-
Net pension liability (Notes 7 and 8)	57,096,000	7,773,000	-	64,869,000	-
OPEB obligation (Note 9)	3,058,105	143,378	399,068	2,802,415	-
Compensated absences	<u>266,829</u>	<u>-</u>	<u>22,828</u>	<u>244,001</u>	<u>-</u>
	<u>\$ 263,253,340</u>	<u>\$ 67,556,130</u>	<u>\$ 14,795,186</u>	<u>\$ 316,014,284</u>	<u>\$ 18,902,492</u>

Payments on the capitalized lease obligations are made from the General, and Capital Facilities Funds. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the OPEB obligations are made from the general fund and compensated absences are made from the fund for which the related employee worked.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 6 - FUND BALANCE**

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	58,500	-	-	55,368	113,868
Prepaid expenditures	<u>7,013</u>	<u>-</u>	<u>-</u>	<u>4,025</u>	<u>11,038</u>
Subtotal nonspendable	<u>85,513</u>	<u>-</u>	<u>-</u>	<u>59,393</u>	<u>144,906</u>
Restricted:					
Legally restricted programs	1,931,044	-	-	123,052	2,054,096
Capital projects	-	103,419,274	-	2,983,698	106,402,972
Debt service	<u>-</u>	<u>-</u>	<u>36,921,480</u>	<u>-</u>	<u>36,921,480</u>
Subtotal restricted	<u>1,931,044</u>	<u>103,419,274</u>	<u>36,921,480</u>	<u>3,106,750</u>	<u>145,378,548</u>
Assigned:					
Instructional materials	<u>2,759,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,759,657</u>
Unassigned:					
Designated for economic uncertainty	<u>8,421,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,421,864</u>
Total fund balances	<u>\$ 13,198,078</u>	<u>\$103,419,274</u>	<u>\$ 36,921,480</u>	<u>\$ 3,166,143</u>	<u>\$156,704,975</u>

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN**

*General Information about the State Teachers' Retirement Plan*

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) 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. There are several differences between the two benefit formulas which are noted below.

*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 percent 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 retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

*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 percent 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 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

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(Continued)



TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

\*The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$3,770,663 to the plan for the fiscal year ended June 30, 2018.

*State* - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding (1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018 the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN** (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 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:

District's proportionate share of the net pension liability	\$ 44,518,000
State's proportionate share of the net pension liability associated with the District	<u>26,337,000</u>
Total	<u><u>\$ 70,855,000</u></u>

The 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, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2017, the District's proportion was 0.048 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$5,929,851 and revenue of \$2,617,722 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 165,000	\$ 776,000
Changes of assumptions	8,247,000	-
Net differences between projected and actual earnings on investments	-	1,186,000
Changes in proportion and differences between District contributions and proportionate share of contributions	892,000	1,367,000
Contributions made subsequent to measurement date	<u>3,770,663</u>	<u>-</u>
Total	<u><u>\$ 13,074,663</u></u>	<u><u>\$ 3,329,000</u></u>

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

\$3,770,663 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

Years Ended <u>June 30,</u>	
2019	\$ 219,100
2020	\$ 1,951,100
2021	\$ 1,312,100
2022	\$ 151,100
2023	\$ 1,072,100
2024	\$ 1,269,500

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

During the 2016-17 measurement period, 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 NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	<u>As of June 30,</u> <u>2017</u>	<u>As of June 30,</u> <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur 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.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 65,366,000</u>	<u>\$ 44,518,000</u>	<u>\$ 27,598,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B**

*General Information about the Public Employer's Retirement Fund B*

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov>.

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join the PERF B, are credited with a market value adjustment in determining contribution rates.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

*Members* - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

*Employers* - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed \$1,710,738 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$20,351,000 for its proportionate share of the net pension liability. The 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, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2017, the District’s proportion was 0.085 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,758,277. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 729,000	\$ -
Changes of assumptions	2,973,000	240,000
Net differences between projected and actual earnings on investments	704,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	383,000	45,000
Contributions made subsequent to measurement date	<u>1,710,738</u>	<u>-</u>
Total	<u>\$ 6,499,738</u>	<u>\$ 285,000</u>

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

\$1,710,738 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

Years Ended <u>June 30,</u>	
2019	\$ 1,295,583
2020	\$ 2,184,583
2021	\$ 1,409,084
2022	\$ (385,250)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2016
Experience Study	June 30, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long -Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years of 1 - 10 (1)</u>	<u>Expected Real Rate of Return Years of 11+ (2)</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation of Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

\* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period

(2) An expected inflation rate of 3.00% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if 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 for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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 cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded 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.

(Continued)



TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (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 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 29,943,000</u>	<u>\$ 20,351,000</u>	<u>\$ 12,394,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees through an implicit rate subsidy for all retirees who elect to purchase benefits at the District’s negotiated insurance premium rates. The plan does not issue separate financial statements.

The Tahoe Truckee Unified School District’s Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District’s retirement plan to continue medical, dental and vision coverage as a participant in the District’s plan. The District’s Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District’s Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District’s Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2017 (measurement date):

	<u>Number of Participants</u>
Inactive Employees Receiving Benefits	23
Inactive Employees Entitled to But Not Receiving Benefits	-
Participating Active Employees	<u>34</u>
	<u><u>57</u></u>

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

Benefits Provided are noted below:

	<sup>4</sup> <u>Certificated</u>	<sup>2</sup> <u>Classified</u>	<sup>3</sup> <u>Confidential</u>	<sup>3</sup> <u>Management</u>
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	To age 65	To age 65	10 years but not beyond 65	To age 65
Required Service	20 years	20 years	10 years	5 years
Minimum Age	55	55	50	50/55 <sup>1</sup>
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution Percent	100%	75% at age 55; 80% at age 56; 90% at age 57; 100% at age 58 or older	100%	100%
District Cap	Active cap currently \$791.66 per month	\$808.33 per month <sup>5</sup>	Active cap currently \$808.33 per month	Active cap currently \$808.33 per month

<sup>1</sup> Depending on retirement system.

<sup>2</sup> Only employees hired prior to September 1, 1988 are eligible.

<sup>3</sup> Only employees hired prior to October 17, 2006 are eligible.

<sup>4</sup> Only employees hired prior to June 30, 1988 are eligible.

<sup>5</sup> Cap for current retirees. Cap is frozen at retirement.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were \$143,378 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

Actuarial Assumptions: The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	June 30, 2017
<u>Fiscal Year End</u>	June 30
<u>Actuarial Value of Assets</u>	Market Value
<u>Mortality Rate</u>	PERS - Non-work related rated developed in 2014 California PERS experience study.  STRS - Match rates developed in 2010 experience study.
<u>Discount Rate as of 6/30/2017</u>	3.5%. Based on the June 29, 2017 Bond Buyer 20-Bond Index, as published by the Federal Reserve.
<u>Assumed Investment Return</u>	Not applicable since the plan is unfunded.
<u>Retirement Rate</u>	Retirement rates match rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010)
<u>Inflation Rate</u>	2.75% per year
<u>Dependent Coverage</u>	Female spouses are assumed to be three years younger than male spouses.  80% of retirees are assumed to be married.  Current retirees are valued based on elected coverage.
<u>Health Claims</u>	Using the 2017 premium rates, we developed an age-adjusted average per capita cost for each plan reflecting enrollments for the current active and per-65 retiree population.
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).
<u>Health Trend Rate:</u>	4%

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.50%. The municipal bond rate was based on the week closest but not later than the measurement date of the June 30, 2017 index as published by the Federal Reserve. The June 30, 2017 index consists of 11 general obligation bonds that mature in 20 years. The average rating of the 11 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ <u>3,058,105</u>
Changes for the year:	
Service cost	42,603
Interest	100,775
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	(399,068)
Administrative expenses	<u>-</u>
Net change	<u>(255,690)</u>
Balance, June 30, 2018	<u><u>\$ 2,802,415</u></u>

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB liability	<u>\$ 2,917,068</u>	<u>\$ 2,802,415</u>	<u>\$ 2,694,509</u>

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 9 - OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS** (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u>(3.00 %)</u>	Healthcare Cost Trend Rates Rate <u>(4.00%)</u>	1% Increase <u>(5.00%)</u>
Total OPEB Liability	<u>\$ 2,706,541</u>	<u>\$ 2,802,415</u>	<u>\$ 2,892,387</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$143,378. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>346,308</u>	<u>-</u>
Total	<u>\$ 346,308</u>	<u>\$ -</u>

\$346,308 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 10 - JOINT POWERS AGREEMENTS**

The District is a member of two Joint Powers Authorities (JPAs), Schools Insurance Group (SIG) for the common risk management and insurance related to workers' compensation and property/liability and Tri-County Schools Insurance Group (TRISIG) for common risk management and insurance related to healthcare. The membership includes other school districts in Placer, Nevada and Sutter Counties. The JPA's provide first dollar coverage and insure risk up to statutory limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of financial information of SIG as of June 30, 2017 and TRISIG as of June 30, 2017 (the most recent information available):

	<u>SIG</u>	<u>TRISIG</u>
Total assets	\$ 96,388,316	\$ 18,722,833
Deferred outflows	\$ 265,300	\$ 183,953
Total liabilities	\$ 33,613,907	\$ 9,365,157
Deferred inflows	\$ 41,239	\$ 19,160
Total net position	\$ 62,998,470	\$ 9,522,469
Total revenues	\$ 91,193,928	\$ 43,039,245
Total expenses	\$ 85,707,759	\$ 39,467,946
Change in net position	\$ 5,486,169	\$ 3,571,299

The relationship between Tahoe Truckee Unified School District and each Joint Powers Authority is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

**NOTE 11 - CONTINGENCIES**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not be material.

At June 30, 2018, the District had approximately \$66,618,753 in outstanding construction contract commitments.

**REQUIRED SUPPLEMENTARY INFORMATION**

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local Control Funding Formula:				
State apportionment	\$ 2,654,662	\$ 2,641,732	\$ 2,641,732	\$ -
Local sources	<u>43,412,627</u>	<u>44,584,364</u>	<u>44,584,364</u>	<u>-</u>
Total LCFF	<u>46,067,289</u>	<u>47,226,096</u>	<u>47,226,096</u>	<u>-</u>
Federal sources	1,435,870	1,372,919	1,372,919	-
Other state sources	6,635,632	6,899,288	6,899,288	-
Other local sources	<u>8,793,416</u>	<u>10,289,583</u>	<u>10,289,583</u>	<u>-</u>
Total revenues	<u>62,932,207</u>	<u>65,787,886</u>	<u>65,787,886</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	26,845,940	27,223,016	27,223,016	-
Classified salaries	10,274,821	10,187,698	10,187,698	-
Employee benefits	15,298,351	14,972,170	14,972,170	-
Books and supplies	2,563,584	2,529,958	2,529,958	-
Contract services and operating expenditures	5,943,858	6,697,753	6,697,753	-
Other outgo	60,296	145,870	145,870	-
Capital outlay	2,662,460	2,895,968	2,895,968	-
Debt service:				
Principal retirement	42,764	522,015	522,015	-
Interest	<u>296,324</u>	<u>36,744</u>	<u>36,744</u>	<u>-</u>
Total expenditures	<u>63,988,398</u>	<u>65,211,192</u>	<u>65,211,192</u>	<u>-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,056,191)</u>	<u>576,694</u>	<u>576,694</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfers in	92,989	92,989	92,989	-
Transfers out	(846,775)	(762,965)	(762,965)	-
Proceeds from the issuance of debt	<u>639,341</u>	<u>639,341</u>	<u>639,341</u>	<u>-</u>
Total other financing sources (uses)	<u>(114,445)</u>	<u>(30,635)</u>	<u>(30,635)</u>	<u>-</u>
Net change in fund balance	(1,170,636)	546,059	546,059	-
Fund balance, July 1, 2017	<u>12,652,019</u>	<u>12,652,019</u>	<u>12,652,019</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 11,481,383</u>	<u>\$ 13,198,078</u>	<u>\$ 13,198,078</u>	<u>\$ -</u>

See accompanying note to required supplementary information.



SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
For the Year Ended June 30, 2018

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Last 10 Fiscal Years

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 42,603
Interest	100,775
Change in assumptions	-
Benefit Payments	<u>(399,068)</u>
Net change in total OPEB liability	(255,690)
Total OPEB liability - beginning of year	<u>3,058,105</u>
Total OPEB liability - end of year	<u>\$ 2,802,415</u>
Covered employee payroll	\$ 2,623,098
Total OPEB liability as a percentage of covered-employee payroll	107%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

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See accompanying note to required supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.049%	0.050%	0.050%	0.048%
District's proportionate share of the net pension liability	\$ 28,668,000	\$ 33,980,000	\$ 40,081,000	\$ 44,518,000
State's proportionate share of the net pension liability associated with the District	<u>17,311,000</u>	<u>17,971,000</u>	<u>22,820,000</u>	<u>26,337,000</u>
Total net pension liability	<u>\$ 45,979,000</u>	<u>\$ 51,951,000</u>	<u>\$ 62,901,000</u>	<u>\$ 70,855,000</u>
District's covered payroll	\$ 21,851,000	\$ 23,426,000	\$ 24,699,000	\$ 25,613,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	173.81%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2018

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.084%	0.084%	0.086%	0.085%
District's proportionate share of the net pension liability	\$ 9,525,000	\$ 12,374,000	\$ 17,015,000	\$ 20,351,000
District's covered payroll	\$ 8,808,000	\$ 9,293,000	\$ 10,335,000	\$ 10,975,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.15%	164.63%	185.43%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

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See accompanying note to required supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2018

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 2,080,255	\$ 2,650,024	\$ 3,222,130	\$ 3,770,663
Contributions in relation to the contractually required contribution	<u>(2,080,255)</u>	<u>(2,650,024)</u>	<u>(3,222,130)</u>	<u>(3,770,663)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,426,000	\$ 24,699,000	\$ 25,613,000	\$ 26,131,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2018

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,093,936	\$ 1,224,444	\$ 1,524,277	\$ 1,710,738
Contributions in relation to the contractually required contribution	<u>(1,093,936)</u>	<u>(1,224,444)</u>	<u>(1,524,277)</u>	<u>(1,710,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,293,000	\$ 10,335,000	\$ 10,975,000	\$ 12,316,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%%

All years prior to 2015 are not available.

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See accompanying note to required supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) liability

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumptions</u>	<u>Measurement Period</u>		
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

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**SUPPLEMENTARY INFORMATION**

TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total
<b>ASSETS</b>						
Cash in County Treasury	\$ 27,639	\$ -	\$ -	\$ 17,590	\$ 2,533,283	\$ 2,578,512
Cash in bank	-	-	500	-	500	1,000
Collections awaiting deposit	12,083	14,032	1,994	-	362,582	390,691
Receivables	53,958	60,359	276,824	-	132,891	524,032
Stores inventory	-	-	55,368	-	-	55,368
Due from other funds	-	176,715	-	-	-	176,715
Prepaid expenditures	-	-	-	-	4,025	4,025
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,025</u>	<u>4,025</u>
Total assets	<u>\$ 93,680</u>	<u>\$ 251,106</u>	<u>\$ 334,686</u>	<u>\$ 17,590</u>	<u>\$ 3,033,281</u>	<u>\$ 3,730,343</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 8,233	\$ 2,315	\$ 13,478	\$ 277	\$ 45,558	\$ 69,861
Due to other funds	189	228,310	265,840	-	-	494,339
	<u>8,422</u>	<u>230,625</u>	<u>279,318</u>	<u>277</u>	<u>45,558</u>	<u>564,200</u>
Total liabilities	<u>8,422</u>	<u>230,625</u>	<u>279,318</u>	<u>277</u>	<u>45,558</u>	<u>564,200</u>
Fund balances:						
Nonspendable	-	-	55,368	-	4,025	59,393
Restricted	85,258	20,481	-	17,313	2,983,698	3,106,750
	<u>85,258</u>	<u>20,481</u>	<u>55,368</u>	<u>17,313</u>	<u>2,987,723</u>	<u>3,166,143</u>
Total fund balances	<u>85,258</u>	<u>20,481</u>	<u>55,368</u>	<u>17,313</u>	<u>2,987,723</u>	<u>3,166,143</u>
Total liabilities and fund balances	<u>\$ 93,680</u>	<u>\$ 251,106</u>	<u>\$ 334,686</u>	<u>\$ 17,590</u>	<u>\$ 3,033,281</u>	<u>\$ 3,730,343</u>



TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total
<b>Revenues:</b>						
Federal sources	\$ 83,363	\$ -	\$ 924,650	\$ -	\$ -	\$ 1,008,013
Other state sources	157,000	207,231	59,307	200,000	-	623,538
Other local sources	<u>929</u>	<u>158,751</u>	<u>281,999</u>	<u>1</u>	<u>2,591,435</u>	<u>3,033,115</u>
Total revenues	<u>241,292</u>	<u>365,982</u>	<u>1,265,956</u>	<u>200,001</u>	<u>2,591,435</u>	<u>4,664,666</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Certified salaries	41,807	-	-	-	-	41,807
Classified salaries	85,146	365,671	746,977	-	70,376	1,268,170
Employee benefits	31,855	157,094	304,414	-	24,598	517,961
Books and supplies	5,431	10,725	683,732	-	289	700,177
Contract services and operating expenditures	23,955	2,231	39,909	17,156	55,231	138,482
Capital outlay	-	-	-	166,327	2,359,524	2,525,851
<b>Debt service:</b>						
Principal retirement	-	-	-	-	785,000	785,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,411</u>	<u>8,411</u>
Total expenditures	<u>188,194</u>	<u>535,721</u>	<u>1,775,032</u>	<u>183,483</u>	<u>3,303,429</u>	<u>5,985,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,098</u>	<u>(169,739)</u>	<u>(509,076)</u>	<u>16,518</u>	<u>(711,994)</u>	<u>(1,321,193)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	171,838	591,127	-	-	762,965
Transfers out	<u>(5,074)</u>	<u>(9,642)</u>	<u>(78,273)</u>	<u>-</u>	<u>-</u>	<u>(92,989)</u>
Total other financing (uses) sources	<u>(5,074)</u>	<u>162,196</u>	<u>512,854</u>	<u>-</u>	<u>-</u>	<u>669,976</u>
Net change in fund balances	48,024	(7,543)	3,778	16,518	(711,994)	(651,217)
Fund balances, July 1, 2017	<u>37,234</u>	<u>28,024</u>	<u>51,590</u>	<u>795</u>	<u>3,699,717</u>	<u>3,817,360</u>
Fund balances, June 30, 2018	<u>\$ 85,258</u>	<u>\$ 20,481</u>	<u>\$ 55,368</u>	<u>\$ 17,313</u>	<u>\$ 2,987,723</u>	<u>\$ 3,166,143</u>

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<b>Student Body Funds</b>				
<u>Alder Creek Middle</u>				
Assets:				
Cash on hand and in banks	\$ <u>42,857</u>	\$ <u>128,116</u>	\$ <u>118,004</u>	\$ <u>52,969</u>
Liabilities:				
Due to student groups	\$ <u>42,857</u>	\$ <u>128,116</u>	\$ <u>118,004</u>	\$ <u>52,969</u>
<u>North Tahoe Intermediate</u>				
Assets:				
Cash on hand and in banks	\$ <u>25,876</u>	\$ <u>25,046</u>	\$ <u>28,352</u>	\$ <u>22,570</u>
Liabilities:				
Due to student groups	\$ <u>25,876</u>	\$ <u>25,046</u>	\$ <u>28,352</u>	\$ <u>22,570</u>
<u>North Tahoe High</u>				
Assets:				
Cash on hand and in banks	\$ <u>71,098</u>	\$ <u>121,290</u>	\$ <u>124,284</u>	\$ <u>68,104</u>
Liabilities:				
Due to student groups	\$ <u>71,098</u>	\$ <u>121,290</u>	\$ <u>124,284</u>	\$ <u>68,104</u>
<u>Tahoe Truckee High</u>				
Assets:				
Cash on hand and in banks	\$ <u>172,209</u>	\$ <u>545,768</u>	\$ <u>532,374</u>	\$ <u>185,603</u>
Liabilities:				
Due to student groups	\$ <u>172,209</u>	\$ <u>545,768</u>	\$ <u>532,374</u>	\$ <u>185,603</u>
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>312,040</u>	\$ <u>820,220</u>	\$ <u>803,014</u>	\$ <u>329,246</u>
Liabilities:				
Due to student groups	\$ <u>312,040</u>	\$ <u>820,220</u>	\$ <u>803,014</u>	\$ <u>329,246</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2018

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	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<b>Warrant Pass-Through</b>				
Assets:				
Cash in County Treasury	<u>\$ 1,748,633</u>	<u>\$ 52,928,700</u>	<u>\$ 52,799,329</u>	<u>\$ 1,878,004</u>
Liabilities:				
Accounts Payable	<u>\$ 1,748,633</u>	<u>\$ 52,928,700</u>	<u>\$ 52,799,329</u>	<u>\$ 1,878,004</u>

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2018

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Tahoe Truckee Unified School District was established in 1949 and is comprised of an area of approximately 700 square miles located in Placer, Nevada and El Dorado Counties. There were no changes in the boundaries of the District during the current year. The District is currently operating five elementary schools, two middle schools, two high schools, one continuation high school and an adult education program.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Kim Szczurek	President	December 2018
Gaylan Larson	Clerk	December 2018
Dianna Driller	Member	December 2018
Cris Hennessey	Member	December 2020
Kirsten Livak	Member	December 2020

ADMINISTRATION

Robert J. Leri, Ed.D.  
Superintendent/Chief Learning Officer

Todd Rivera  
Executive Director of Business Services

Corine Harvey  
Executive Director of Student Services

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2018

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	E4E16D53 Second Period Report	81EF2273 Annual Report
Elementary:		
Transitional Kindergarten through Third	1,106	1,112
Fourth through Sixth	884	883
Seventh and Eighth	<u>519</u>	<u>518</u>
	<u>2,509</u>	<u>2,513</u>
Secondary:		
Ninth through Twelfth	<u>1,100</u>	<u>1,087</u>
ADA Totals	<u><u>3,609</u></u>	<u><u>3,600</u></u>

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See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2018

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	Statutory 1986-87 Minutes Require- <u>ment</u>	2017-2018 Actual <u>Minutes</u>	Number of Days Traditional <u>Calendar</u>	Status
<b>DISTRICT</b>				
Kindergarten	36,000	45,750	180	In Compliance
Grade 1	50,400	53,173	180	In Compliance
Grade 2	50,400	53,173	180	In Compliance
Grade 3	50,400	53,173	180	In Compliance
Grade 4	54,000	54,252	180	In Compliance
Grade 5	54,000	55,281	180	In Compliance
Grade 6	54,000	57,400	180	In Compliance
Grade 7	54,000	57,400	180	In Compliance
Grade 8	54,000	57,400	180	In Compliance
Grade 9	64,800	65,276	180	In Compliance
Grade 10	64,800	65,276	180	In Compliance
Grade 11	64,800	65,276	180	In Compliance
Grade 12	64,800	65,276	180	In Compliance

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See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	Special Education - Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 416,394
84.027A	Special Ed IDEA: Preschool Local Entitlement	13682	70,268
84.027	Special Ed IDEA: Mental Health Allocation Plan, Part B, Section 611		43,604
84.173	Special Ed IDEA: Preschool Grant, Part B, Section 619	13430	<u>15,351</u>
	Subtotal Special Education Cluster		<u>545,617</u>
ESEA: Title III Programs:			
84.365	ESEA: Title III, Language Acquisition	14346	84,046
84.365	ESEA: Title III, Immigrant Education Program	15146	<u>7,537</u>
	Subtotal ESEA: Title III Programs		<u>91,583</u>
Adult Education Programs:			
84.002A	Adult Education: Adult Basic Education & ELA (Section 231)	14508	19,692
84.002	Adult Education: Adult Secondary Education	13978	9,107
84.002	Adult Education: English Literacy and Civics Education	14750	<u>54,564</u>
	Subtotal Adult Education Programs		<u>83,363</u>
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected	14329	269,679
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	16,667
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14341	63,737
84.126	Workability II, Transitions Partnership Program	10006	<u>57,183</u>
	Total U.S. Department of Education		<u>1,127,829</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
Medi-Cal Cluster:			
93.778	Medi-Cal Administrative Activities	10060	43,390
93.778	Medi-Cal Billing Option	10013	<u>81,849</u>
	Total U.S. Department of Health and Human Services		<u>125,239</u>

(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2018

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U.S. Department of Homeland Security - Passed through California Department  
of Education

97.039	Hazard Mitigation Grant	10041	\$ <u>18,361</u>
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U.S. Department of Agriculture - Passed through California Department  
of Education

10.555	National School Lunch Program	13390	924,650
10.665	Forest Reserve	10044	<u>169,065</u>

Total U.S. Department of Agriculture			<u>1,093,715</u>
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Total Federal Programs			<u><u>\$ 2,365,144</u></u>
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See accompanying notes to supplementary information.



TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018

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There were no audit adjustments proposed to any funds of the District.

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See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 For the Year Ended June 30, 2018  
 (UNAUDITED)

	(Budgeted) <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 64,443,360	\$ 66,520,216	\$ 60,479,938	\$ 59,231,202
Expenditures	65,385,352	65,211,192	60,728,570	57,640,268
Other uses and transfers out	<u>851,122</u>	<u>762,965</u>	<u>847,827</u>	<u>803,416</u>
Total outgo	<u>66,236,474</u>	<u>65,974,157</u>	<u>61,576,397</u>	<u>58,443,684</u>
Change in fund balance	<u>\$ (1,793,114)</u>	<u>\$ 546,059</u>	<u>\$ (1,096,459)</u>	<u>\$ 787,518</u>
Ending fund balance	<u>\$ 11,404,964</u>	<u>\$ 13,198,078</u>	<u>\$ 12,652,019</u>	<u>\$ 13,748,478</u>
Available reserves	<u>\$ 7,961,970</u>	<u>\$ 8,421,865</u>	<u>\$ 7,835,998</u>	<u>\$ 8,237,524</u>
Designated for economic uncertainties	<u>\$ 7,961,970</u>	<u>\$ 8,421,865</u>	<u>\$ 7,835,998</u>	<u>\$ 8,237,524</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as a percentage of total outgo	<u>12.0%</u>	<u>12.8%</u>	<u>12.7%</u>	<u>14.1%</u>
Total long-term liabilities	<u>\$ 297,111,792</u>	<u>\$ 316,014,284</u>	<u>\$ 261,053,080</u>	<u>\$ 166,725,804</u>
Average daily attendance at P-2, excluding classes for adults	<u>3,660</u>	<u>3,609</u>	<u>3,661</u>	<u>3,565</u>

The General Fund fund balance has decreased by \$237,118 over the past three years. The District has budgeted a decrease of \$1,793,114 for the fiscal year ending June 30, 2018. For a district this size, the State of California recommends available reserves of at least three percent of total General Fund expenditures, transfers out and other uses be maintained. The District met this requirement.

The District has an operating surplus in two of the past three years, and anticipates incurring an operating deficit during the 2018-2019 fiscal year.

Total long-term liabilities have increased by \$149,288,480 over the past two years due to the issuance of General Obligation Bonds and the implementation of GASB 75.

Average daily attendance has increased by 44 over the past two years. The District anticipates an increase of 51 ADA for the fiscal year 2018-2019.

See accompanying notes to supplementary information.

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2018

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Charter Schools Chartered by District

Included in District  
Financial Statements, or  
Separate Report

1180 - Sierra Expeditionary Learning

Separate report

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2018

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - 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.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Tahoe Truckee Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

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

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 2,380,932
Less: Medi-Cal Administrative Activities funds not spent	93.778	<u>(15,788)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 2,365,144</u>

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2018

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**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2018-2019 fiscal year.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees  
Tahoe Truckee Unified School District  
Truckee, California

**Report on Compliance with State Laws and Regulations**

We have audited Tahoe Truckee Unified School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	Yes
General requirements	Yes
After school	Yes
Before school	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

The District's reported ADA for Continuation Education was below the materiality level that requires testing; therefore, we did not perform any testing of Continuation Education ADA.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform steps 2a through d.

The District does not offer an Apprenticeship: Related and Supplemental Instruction program; therefore, we did not perform any procedures related to this program.

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

The District did not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not report any ADA for Independent Study - Course Based; therefore, we did not perform any procedures related to the Independent Study - Course Based program.

The District does not operate any Charter Schools; therefore, we did not perform any of the testing required by Article 4 of the Audit Guide.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Tahoe Truckee Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide 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 Tahoe Truckee Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Tahoe Truckee Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Tahoe Truckee Unified School District's compliance.

### ***Basis for Qualified Opinion on Compliance with State Laws and Regulations***

As described in Finding 2018-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Tahoe Truckee Unified School District did not comply with requirements regarding Attendance Reporting. Compliance with such requirements is necessary, in our opinion, for Tahoe Truckee Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Attendance Reporting.

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(Continued)

### ***Qualified Opinion on Compliance with State Laws and Regulations***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Tahoe Truckee Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

### ***Other Matter***

Tahoe Truckee Unified School District's response to the noncompliance finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Tahoe Truckee Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Crowe LLP*

Crowe LLP

Sacramento, California  
December 10, 2018



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

Board of Trustees  
Tahoe Truckee Unified School District  
Truckee, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tahoe Truckee Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Tahoe Truckee Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2018

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

**Crowe LLP**

Crowe LLP

Sacramento, California  
December 10, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees  
Tahoe Truckee Unified School District  
Truckee, California

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Tahoe Truckee Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

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(Continued)

## **Report on Internal Control Over Compliance**

Management of Tahoe Truckee Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tahoe Truckee Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tahoe Truckee Unified School District's internal control over compliance.

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

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

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

**CROWE LLP**

Crowe LLP

Sacramento, California  
December 10, 2018

## **FINDINGS AND RECOMMENDATIONS**

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2018

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

Noncompliance material to financial statements noted?

	_____ Yes	___X___ No
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**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	_____ Yes	___X___ No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_X\_\_\_ Yes    \_\_\_\_\_ No

**STATE AWARDS**

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

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)



TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2018-001 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)**

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At Truckee High School, two students were improperly claimed for apportionment, resulting in an overstatement of three days of attendance.

Effect

The effect of this finding is an overstatement of 0.02 ADA.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

The error is below 0.50 ADA, therefore there is no fiscal impact.

Recommendation

The District should enforce controls to ensure accurate accounting for attendance.

Views of Responsible Officials and Corrective Action Plan

The District will continue to provide staff training with school site personnel. No corrections were necessary for the P-2 or Annual reports.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

TAHOE TRUCKEE UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2018

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Tahoe-Truckee Unified School District (the “District”) in connection with the execution and delivery of its \$ \_\_\_\_\_ Certificates of Participation (2019 School Financing Project) (the “Certificates”). The Certificates are being executed pursuant to a Trust Agreement, dated as of September 1, 2019, by and among the District, U.S. Bank National Association, as trustee (the “Trustee”) and the Tahoe Truckee Unified School District Financing Corporation (the “Corporation”). The District covenants 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 Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Disclosure Representative” shall mean the Superintendent of the District, the Chief Business Official of the District, or their designee, or such other officer or employee as the District shall designate in writing from time to time.

“Dissemination Agent” shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Certificates, dated \_\_\_\_\_, 2019.

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean 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.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the fiscal year ending June 30, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (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, stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) The District’s audited financial statements, prepared in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), 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) Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (i) State funding received by the District for the last completed fiscal year;
- (ii) Average Daily Attendance of the District for the last completed fiscal year; and

(iii) summary financial information on revenues, expenditures and fund balances for the District's general fund for last completed fiscal year and summary financial information on any adopted budget for the current fiscal year.

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 have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. optional, contingent or unscheduled bond calls.
5. rating changes.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
7. unscheduled draws on the debt service reserves reflecting financial difficulties.
8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties
11. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District.

For the purposes of the event identified in Section 5(a)(10), the event 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 U.S. 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 governmental 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.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates.
4. release, substitution or sale of property securing repayment of the Certificates.
5. 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.
6. Appointment of a successor or additional Trustee with respect to the Certificates or the change of name of such a Trustee.
7. Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report



prepared by the District pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. 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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. 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 Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates 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 Trust Agreement, 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.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding

liabilities due to the Dissemination Agent's negligence or willful misconduct. 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 all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, 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 Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Certificate solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: \_\_\_\_\_, 2019

TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent/Chief Learning Officer

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District: Tahoe-Truckee Unified School District  
Name of Certificate Issue: \$ \_\_\_\_\_ Tahoe-Truckee Unified School District  
Certificates of Participation (2019 School Financing Project)  
Date of Delivery: \_\_\_\_\_, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the District on the date of delivery of the Certificates. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

TAHOE-TRUCKEE UNIFIED SCHOOL DISTRICT

By: [form only; no signature required] \_\_\_\_\_

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## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

#### General

*The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances 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 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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 Official Statement. 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.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each of maturity of the Certificates, each in the aggregate principal amount of such Certificate, and will be deposited with DTC.

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](http://www.dtcc.com). However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The 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 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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.

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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the Certificates 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 the District or Paying Agent, on the 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the 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.

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

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

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## APPENDIX F

### ECONOMIC AND DEMOGRAPHIC PROFILE OF PLACER, NEVADA AND EL DORADO COUNTIES

*The following information concerning the Counties is included only for the purpose of supplying general information regarding the community. The Bonds are not an obligation of the Counties.*

#### General

Placer County stretches from the suburbs of Sacramento to Lake Tahoe and the border with Nevada. Rapid expansion of Greater Sacramento has made the Placer County population one of the fastest-growing in the state. Between 2008 and 2017, the population grew from 333,805 to 382,837, a gain of over 14%. The county seat is in Auburn.

El Dorado County is located in the Sierra Nevada Mountains of Northern California, encompassing 1,805 square miles of rolling hills and mountainous terrain. Well-known as the location of Lake Tahoe and Squaw Valley, El Dorado County is a major destination for outdoor activities. El Dorado County has a Board of Supervisors comprised of five members, one elected from each district. The Board of Supervisors has authority to perform all the duties vested in it by the Constitution, general law, and the charter.

Nevada County is located in the Gold Country of the Sierra Nevada Mountains. The rural geography of mountains, forest, rivers and lakes was one of the main destinations of the 1849 Gold Rush. The largest incorporated settlements in Nevada County are Truckee and Grass Valley. The county seat is in Nevada City.

#### Population

The following table summarizes population estimates for the Counties and State from 2010 through 2019.

#### POPULATION ESTIMATES 2010-2019

#### El Dorado, Nevada and Placer Counties, and the State of California

<u>Year</u> <sup>(1)</sup>	<u>El Dorado County</u>	<u>Nevada County</u>	<u>Placer County</u>	<u>State of California</u>
2010 <sup>(2)</sup>	181,058	98,764	348,432	37,253,956
2011	181,654	98,695	354,359	37,594,781
2012	181,777	98,472	359,790	37,971,427
2013	181,253	98,085	363,618	38,321,459
2014	182,419	98,077	368,141	38,622,301
2015	183,513	98,448	371,326	38,952,462
2016	184,770	98,710	376,443	39,214,803
2017	186,403	98,692	383,719	39,504,609
2018	189,592	99,024	389,480	39,740,508
2019	191,848	98,904	396,691	39,927,315

<sup>(1)</sup> As of January 1.

<sup>(2)</sup> As of April 1.

Source: California Department of Finance.

## Personal Income

The following tables summarize per capita personal income for the Counties, State of California and United States for the most recent ten-year period.

### PER CAPITA PERSONAL INCOME<sup>(1)</sup>

2008-2017

#### El Dorado, Nevada and Placer Counties, the State of California and the United States

<u>Year</u>	<u>El Dorado County</u>	<u>Nevada County</u>	<u>Placer County</u>	<u>State of California</u>	<u>United States</u>
2008	\$48,379	\$44,375	\$48,070	\$43,895	\$40,904
2009	46,731	43,484	46,177	42,050	39,284
2010	48,129	45,562	47,523	43,609	40,545
2011	50,450	47,864	49,633	46,145	42,727
2012	52,700	49,699	52,489	48,751	44,582
2013	54,386	50,529	53,384	49,173	44,826
2014	57,205	53,786	56,245	52,237	47,025
2015	60,136	55,693	59,842	55,679	48,940
2016	62,699	57,955	61,566	57,497	49,831
2017	64,673	59,715	63,515	59,796	51,640

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Commercial Activity

The following tables summarize taxable sales within the Counties from 2013 through 2018.

### TAXABLE SALES

2014-2018

#### El Dorado County (Dollars in Thousands)

<u>Year</u>	<u>Retail and Food Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	4,320	\$1,421,406	5,974	\$1,946,126
2015	4,231	1,482,544	6,556	2,059,822
2016	4,281	1,561,020	6,680	2,186,475
2017	4,331	1,672,181	6,796	2,309,759
2018 <sup>(1)</sup>	4,216	1,769,756	6,836	2,363,505

<sup>(1)</sup> Preliminary, subject to change.

Source: Taxable Sales in California, California State Board of Equalization for 2014.

Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.

**TAXABLE SALES  
2014-2018  
Nevada County  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail and Food Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	2,879	\$852,754	4,132	\$1,220,368
2015	2,826	892,976	4,580	1,286,133
2016	3,091	942,242	5,012	1,335,080
2017	3,126	1,027,784	5,119	1,441,562
2018 <sup>(1)</sup>	2,995	1,009,121	5,041	1,406,634

<sup>(1)</sup> Preliminary, subject to change.

Source: *Taxable Sales in California, California State Board of Equalization for 2014.*

*Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.*

**TAXABLE SALES  
2014-2018  
Placer County  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail and Food Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	8,520	\$6,296,076	11,749	\$8,100,167
2015	8,543	6,646,032	12,938	8,727,221
2016	8,657	6,868,760	13,192	8,975,136
2017	8,713	7,257,842	13,365	9,491,737
2018 <sup>(1)</sup>	8,717	7,711,020	13,794	9,892,946

<sup>(1)</sup> Preliminary, subject to change.

Source: *Taxable Sales in California, California State Board of Equalization for 2014.*

*Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.*

## Employment

The following table summarizes the labor force, employment and unemployment figures over the past five years for the Counties and the State.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE  
2014-2018  
El Dorado, Nevada and Placer, and the State of California<sup>(1)</sup>**

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2014	El Dorado County	87,900	81,800	6,100	7.0
	Nevada County	47,850	44,720	3,130	6.5
	Placer County	175,500	164,500	11,000	6.3
	State of California	18,714,700	17,310,900	1,403,800	7.5
2015	El Dorado County	88,000	82,900	5,000	5.7
	Nevada County	48,050	45,440	2,600	5.4
	Placer County	176,500	167,600	8,900	5.1
	State of California	18,851,100	17,681,800	1,169,200	6.2
2016	El Dorado County	88,900	84,300	4,600	5.1
	Nevada County	48,180	45,880	2,300	4.8
	Placer County	179,800	171,700	8,100	4.5
	State of California	19,044,500	18,002,800	1,041,700	5.5
2017	El Dorado County	89,900	86,000	3,900	4.4
	Nevada County	48,410	46,420	1,990	4.1
	Placer County	181,700	174,700	7,000	3.9
	State of California	19,205,300	18,285,500	919,800	4.8
2018	El Dorado County	91,600	88,300	3,300	3.6
	Nevada County	48,870	47,180	1,690	3.5
	Placer County	185,200	179,400	5,800	3.1
	State of California	19,398,200	18,582,800	815,400	4.2

<sup>(1)</sup> Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2018 Benchmark.

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## Industry

El Dorado County and Placer County are part of the Sacramento-Arden-Arcade- Roseville Metropolitan Statistical Area (the “MSA”) along with Sacramento and Yolo Counties. The following table summarizes the average annual industry employment in the MSA from 2014 through 2018.

### LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES 2014-2018

#### Sacramento-Arden-Arcade-Roseville Metropolitan Statistical Area

<u>Type of Employment</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	9,200	9,400	9,700	9,800	9,100
Mining and Logging	400	400	400	400	500
Construction	45,600	50,300	55,000	58,700	63,600
Manufacturing	35,400	36,400	36,200	35,700	36,100
Wholesale Trade	24,100	24,400	25,500	26,500	28,500
Retail Trade	95,300	98,000	100,500	101,400	102,300
Transportation, Warehousing & Utilities	23,600	24,600	26,000	26,700	29,100
Information	13,900	14,100	13,800	12,500	12,300
Financial Activities	49,000	50,900	51,800	52,400	53,900
Professional and Business Services	118,300	120,300	128,100	130,600	135,700
Education and Health Services	134,300	140,100	145,600	152,800	159,500
Leisure and Hospitality	91,800	95,400	99,800	103,300	106,300
Other Services	30,300	30,900	31,700	33,000	34,200
Government	<u>227,800</u>	<u>232,000</u>	<u>234,700</u>	<u>235,200</u>	<u>237,500</u>
Total	898,800	927,100	958,700	978,800	1,008,700

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

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The following table summarizes the average annual industry employment in Nevada County from 2014 through 2018.

**LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES  
2014-2018  
Nevada County**

<u>Type of Employment</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	70	70	70	70	80
Mining, Logging and Construction	2,700	2,730	2,840	2,900	3,110
Manufacturing	1,420	1,360	1,430	1,420	1,410
Wholesale Trade	360	380	390	400	380
Retail Trade	3,840	3,950	4,030	4,050	4,000
Transportation, Warehousing & Utilities	480	470	480	490	500
Information	300	290	290	280	310
Financial Activities	1,340	1,290	1,320	1,330	1,350
Professional and Business Services	2,080	2,160	2,190	2,210	2,330
Education and Health Services	5,030	5,320	5,440	5,490	5,440
Leisure and Hospitality	4,620	4,500	4,660	4,930	5,040
Other Services	1,670	1,790	1,880	2,060	2,100
Government	<u>6,090</u>	<u>6,510</u>	<u>6,510</u>	<u>6,530</u>	<u>6,620</u>
Total	<u>29,980</u>	<u>30,830</u>	<u>31,510</u>	<u>32,150</u>	<u>32,650</u>

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

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## Largest Employers

The following tables identify the largest employers in the Counties.

### LARGEST EMPLOYERS El Dorado County

<u>Employer</u>	<u>Location</u>	<u>Industry</u>
Barton Memorial Hospital	South Lake Tahoe	Hospitals
Beach Retreat & Lodge	South Lake Tahoe	Hotels & Motels
Blue Shield of California	El Dorado Hills	Insurance
Broadridge Financial Solutions	El Dorado Hills	Business Services NEC
Camp Richardson Resort	South Lake Tahoe	Resorts
Camp Richardson Resort	South Lake Tahoe	Resorts
Child Development Programs	Placerville	Youth Organizations & Centers
County of Eldorado	Placerville	County Government-General Offices
Cyber Quest-Red Hawk Casino	Placerville	Video Gamerooms
El Dorado Cnty Transportation	Placerville	Government Offices-County
El Dorado County Child Protctn	Placerville	Government Offices-County
El Dorado County Sheriff	Placerville	Government Offices-County
El Dorado Irrigation District	Placerville	Water & Sewage Companies-Utility
Heavenly Ski Resort	South Lake Tahoe	Sporting Goods-Retail
Lake Tahoe Community College	South Lake Tahoe	Junior-Community College-Tech Institutes
Marriott-Timber Lodge	South Lake Tahoe	Hotels & Motels
More	Placerville	Rehabilitation Services
Oak Ridge High School	El Dorado Hills	Schools
Raley's	Placerville	Grocers-Retail
Safeway	South Lake Tahoe	Grocers-Retail
Sierra-At-Tahoe Resort	Twin Bridges	Skiing Centers & Resorts
South Lake Tahoe City Manager	South Lake Tahoe	Government Offices-City/Village & Twp
Spare Time Inc	El Dorado Hills	Health Clubs Studios & Gymnasiums
Top To Bottom Inside & Out Inc	El Dorado Hills	Home Improvements
Transitional Learning Ctr High	South Lake Tahoe	School Districts

*Source: State of California Employment Development Department, extracted from America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.*

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## LARGEST EMPLOYERS

### Nevada County

<u>Employer</u>	<u>Location</u>	<u>Industry</u>
Aja Video Systems Inc	Grass Valley	Video Recorders & Players-Manufacturers
Ameri Gas	Grass Valley	Gas Companies
American Rivers Inc	Nevada City	Organizations
Boreal Mountain Resort	Truckee	Resorts
Boreal Ridge Corp	Soda Springs	Skiing Centers & Resorts
Briarpatch Community Market	Grass Valley	Health & Diet Foods-Retail
Clear Capital	Truckee	Real Estate Loans
Golden Empire Nurse & Rehab	Grass Valley	Nursing & Convalescent Homes
Interfaith Food Ministry	Grass Valley	Non-Profit Organizations
Jehovah's Witnesses	Grass Valley	Churches
Kmart	Grass Valley	Department Stores
Lodge At Tahoe Donner	Truckee	Restaurants
Milhous School Inc	Nevada City	Schools
Networked Insurance Agents LLC	Grass Valley	Insurance
Nevada Irrigation District	Grass Valley	Water & Sewage Companies-Utility
Nevada Union High School	Grass Valley	Schools
Raley's	Grass Valley	Grocers-Retail
Robinson Enterprises Inc	Nevada City	Logging Companies (mfrs)
Safeway	Grass Valley	Grocers-Retail
Safeway	Truckee	Grocers-Retail
Sierra NV Meml Miners Hspitls	Grass Valley	Lawn & Grounds Maintenance
Sierra NV Memorial Hospital	Grass Valley	Hospitals
Sugar Bowl Ski Area	Soda Springs	Skiing Centers & Resorts
Tahoe Forest Hospital District	Truckee	Hospitals
Tahoe Forest Hospital District	Truckee	Hospitals

*Source: State of California Employment Development Department, extracted from America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.*

## LARGEST EMPLOYERS

### Placer County

<u>Rank</u>	<u>Employer</u>	<u>Number of Employees</u>
1.	Sutter Health	5,634
2.	Kaiser Permanente	5,609
3.	County of Placer	2,898
4.	Thunder Valley Casino Resort	2,500
5.	Hewlett-Packard Co.	2,000
6.	PRIDE Industries Inc.	1,646
7.	Safeway Inc.	1,189
8.	Squaw Valley Alpine Meadows	1,161
9.	City of Roseville	1,146
10.	Union Pacific Railroad Co. Inc.	1,091

*Source: County of Placer Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.*



## Construction Activity

The following tables identify the number of new building permits, and valuations in the Counties.

### BUILDING PERMITS AND VALUATIONS 2014-2018

#### El Dorado County (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$205,576	\$272,999	\$350,780	\$343,978	\$274,557
Non-Residential	<u>55,579</u>	<u>85,768</u>	<u>77,886</u>	<u>78,515</u>	<u>108,313</u>
TOTAL <sup>(1)</sup>	\$261,155	\$358,767	\$428,666	\$422,493	\$382,870
<i>New Dwelling Units</i>					
Single Family	396	574	799	814	613
Multiple Family	<u>32</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>
TOTAL <sup>(1)</sup>	428	574	799	820	619

<sup>(1)</sup> Columns may not add to totals due to rounding.  
Source: Construction Industry Research Board.

### BUILDING PERMITS AND VALUATIONS 2014-2018

#### Nevada County (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$90,838	\$94,475	\$103,755	\$135,584	\$190,375
Non-Residential	<u>28,756</u>	<u>28,880</u>	<u>23,590</u>	<u>30,670</u>	<u>81,310</u>
TOTAL <sup>(1)</sup>	\$119,594	\$123,355	\$127,345	\$166,254	\$271,685
<i>New Dwelling Units</i>					
Single Family	215	217	243	383	383
Multiple Family	<u>97</u>	<u>6</u>	<u>6</u>	<u>151</u>	<u>151</u>
TOTAL <sup>(1)</sup>	312	223	249	534	534

<sup>(1)</sup> Columns may not add to totals due to rounding.  
Source: Construction Industry Research Board.

### BUILDING PERMITS AND VALUATIONS 2014-2018

#### Placer County (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$631,712	\$788,086	\$898,350	\$953,795	\$798,417
Non-Residential	<u>184,681</u>	<u>226,906</u>	<u>210,591</u>	<u>290,091</u>	<u>250,932</u>
TOTAL <sup>(1)</sup>	\$816,393	\$1,014,992	\$1,108,941	\$1,243,886	\$1,049,349
<i>New Dwelling Units</i>					
Single Family	1,620	1,994	2,102	2,500	1,963
Multiple Family	<u>376</u>	<u>240</u>	<u>322</u>	<u>783</u>	<u>19</u>
TOTAL <sup>(1)</sup>	1,996	2,234	2,424	3,283	1,982

<sup>(1)</sup> Columns may not add to totals due to rounding.  
Source: Construction Industry Research Board.

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## APPENDIX G

### PLACER COUNTY INVESTMENT POOL

*The following information concerning the Placer County Investment Pool (the “Investment Pool”) has been provided by the Treasurer and Tax Collector (the “Treasurer”) of Placer County (the “County”), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. None of the District, the Financial Advisor or the Underwriter have made an independent investigation of the investments in the Investment Pool and none of the District, the Financial Advisor or the Underwriter have made an assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Financial Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at <http://www.placer.ca.gov/departments/tax>; however, the information presented on such website is not incorporated herein by any reference.*

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Office of  
Jenine Windeshausen  
Treasurer-Tax Collector  
County of Placer

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**COUNTY OF PLACER**

**TREASURER'S POOLED INVESTMENT REPORT**

**For the Month of June 30, 2019**

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2976 Richardson Drive • Auburn, California 95603  
Tax Collector / Business Licenses (530) 889-4120 • Treasurer (530) 889-4140 • Bonds (530) 889-4146

## PREFACE

### Placer County Treasurer's Pooled Investment Report

June 30, 2019

For the purpose of clarity the following glossary of investment terms has been provided.

**Book Value** is the purchase price of a security plus amortization of any premium or discount. This may be more or less than face value, depending upon whether the security was purchased at a premium or at a discount.

**Par Value** is the principal amount of a security and the amount of principal that will be paid at maturity.

**Market Value** is the value at which a security can be sold at the time it is priced or the need to sell arises.

Market values are only relevant if the investment is sold prior to maturity. Profit or loss would be realized only if the specific investment were to be sold.

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## Government Code 53646 Compliance Report

The following information is a monthly update of funds on deposit in the Placer County Treasury pursuant to California Government code Section 53646. Further details of individual investments are included in the Treasurer's Monthly Investment Report. All investment transactions and decisions have been made with full compliance with California Government Code and Placer County's Statement of Investment Policy.

Individual securities are priced at the end of each month by Wells Fargo Bank.

The Weighted Average Maturity of the investments with the Treasury is 897 days.

The ability of the Placer County Treasury to meet its cash flow needs is demonstrated by \$574,260,011.58 in cash and investments maturing in the next 180 days.



**General Fund  
Portfolio Management  
Portfolio Summary  
June 30, 2019**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
U.S. Treasury Coupons	30,000,000.00	30,089,600.00	29,971,674.47	1.78	1,672	608	1.769	1.794
mPower Placer - Long Term	9,101,366.09	9,132,468.88	9,204,237.11	0.55	7,366	6,468	4.408	4.470
Federal Agency Coupons	895,000,000.00	892,667,450.00	894,828,752.96	53.26	1,619	748	1.803	1.828
Medium Term Notes	85,000,000.00	84,630,050.00	84,760,254.84	5.04	1,353	593	2.386	2.419
Negotiable Certificates of Deposit	225,000,000.00	225,157,600.00	225,000,000.00	13.39	184	88	2.601	2.637
Collateralized CDs	11,000,000.00	11,000,000.00	11,000,000.00	0.65	366	187	2.373	2.406
Supranational	10,000,000.00	9,992,641.67	9,991,818.51	0.59	178	25	2.559	2.595
Commercial Paper Disc. -Amortizing	90,000,000.00	89,387,072.23	89,387,072.23	5.32	160	97	2.530	2.565
Federal Agency Disc. -Amortizing	80,000,000.00	79,888,400.00	79,870,855.56	4.75	35	24	2.077	2.106
Treasury Discounts -Amortizing	130,000,000.00	129,687,450.00	129,629,731.25	7.72	137	43	2.432	2.466
Local Agency Bond	10,641,725.47	10,327,186.01	10,641,725.47	0.63	7,839	7,112	2.781	2.820
Local Agency Bonds	87,018,549.15	89,094,627.32	87,018,549.15	5.18	6,731	5,343	3.335	3.381
mPower Placer	15,916,080.55	14,721,815.91	15,916,080.55	0.95	7,713	7,052	3.591	3.641
mPower - Folsom	2,935,430.38	2,663,340.03	2,935,430.38	0.17	7,693	6,374	1.250	1.267
<b>Investments</b>	<b>1,681,613,151.64</b>	<b>1,678,439,702.05</b>	<b>1,680,156,182.48</b>	<b>100.00%</b>	<b>1,535</b>	<b>897</b>	<b>2.163</b>	<b>2.193</b>

Cash								
Passbook/Checking (not included in yield calculations)	9,260,011.58	9,260,011.58	9,260,011.58		1	1	0.000	0.000
<b>Total Cash and Investments</b>	<b>1,690,873,163.22</b>	<b>1,687,699,713.63</b>	<b>1,689,416,194.06</b>		<b>1,535</b>	<b>897</b>	<b>2.163</b>	<b>2.193</b>

Total Earnings	June 30 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year	3,106,611.07	32,452,067.24	32,452,067.24
Average Daily Balance	1,730,061,586.43	1,576,866,372.41	
Effective Rate of Return	2.18%	2.06%	

  
 ERIC WAIDMANN, ASST. TREASURER-TAX COLLECTOR

7/16/19

**General Fund  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
<b>U.S. Treasury Coupons</b>											
912828TN0	15058	U.S TREASURY N/B		12/03/2015	10,000,000.00	9,978,700.00	9,993,027.62	1.000	1.430	61	08/31/2019
912828A42	15059	U.S TREASURY N/B		12/04/2015	10,000,000.00	10,020,700.00	10,026,194.80	2.000	1.806	518	11/30/2020
912828M80	17022	U.S TREASURY N/B		12/01/2017	10,000,000.00	10,090,200.00	9,952,452.05	2.000	2.147	1,248	11/30/2022
<b>Subtotal and Average</b>			<b>29,970,197.91</b>		<b>30,000,000.00</b>	<b>30,089,600.00</b>	<b>29,971,674.47</b>		<b>1.794</b>	<b>608</b>	
<b>mPower Placer - Long Term</b>											
2015NR-A	2015NR-A	mPower Placer		06/16/2015	1,968,299.00	1,920,563.81	1,968,299.00	4.000	3.999	5,907	09/02/2035
2015NR-BLT	2015NR-BLT	mPower Placer		09/02/2016	2,838,648.02	2,760,607.91	2,838,648.02	4.000	4.000	6,273	09/02/2036
2015R-B	2015R-B	mPower Placer		06/16/2015	690,000.00	781,875.57	727,868.50	6.000	5.435	5,907	09/02/2035
72601FAC2	2018B	Public Finance Authority		06/28/2018	3,604,419.07	3,669,421.59	3,669,421.59	5.050	4.894	7,032	10/01/2038
<b>Subtotal and Average</b>			<b>9,204,614.48</b>		<b>9,101,366.09</b>	<b>9,132,468.88</b>	<b>9,204,237.11</b>		<b>4.470</b>	<b>6,468</b>	
<b>Federal Agency Coupons</b>											
3133EFRM1	15056	FEDERAL FARM CREDIT BANK		12/02/2015	10,000,000.00	9,989,200.00	10,000,000.00	1.640	1.640	154	12/02/2019
3133EFX36	15105	FEDERAL FARM CREDIT BANK		04/05/2016	10,000,000.00	9,937,800.00	10,000,000.00	1.680	1.680	644	04/05/2021
3133EGKA2	16001	FEDERAL FARM CREDIT BANK		07/06/2016	10,000,000.00	9,920,700.00	10,000,000.00	1.500	1.500	736	07/06/2021
3133EGLH6	16002	FEDERAL FARM CREDIT BANK		07/12/2016	10,000,000.00	9,937,800.00	10,000,000.00	1.420	1.420	561	01/12/2021
3133EGLU7	16004	FEDERAL FARM CREDIT BANK		07/14/2016	10,000,000.00	9,916,600.00	10,000,000.00	1.480	1.480	744	07/14/2021
3133EGXU4	16030	FEDERAL FARM CREDIT BANK		10/06/2016	10,000,000.00	9,927,900.00	10,000,000.00	1.370	1.370	463	10/06/2020
3133EGZP3	16031	FEDERAL FARM CREDIT BANK		10/25/2016	10,000,000.00	9,896,200.00	9,997,683.33	1.580	1.590	847	10/25/2021
3133EGZP3	16032	FEDERAL FARM CREDIT BANK		10/25/2016	10,000,000.00	9,896,200.00	9,997,683.33	1.580	1.590	847	10/25/2021
3133EGS30	16043	FEDERAL FARM CREDIT BANK		12/06/2016	10,000,000.00	10,000,100.00	10,000,000.00	2.000	2.000	889	12/06/2021
3133EGU37	16049	FEDERAL FARM CREDIT BANK		12/14/2016	10,000,000.00	9,999,100.00	10,000,000.00	1.830	1.830	532	12/14/2020
3133EGU86	16052	FEDERAL FARM CREDIT BANK		12/19/2016	10,000,000.00	9,976,000.00	10,000,000.00	1.500	1.500	171	12/19/2019
3133EG2P9	16063	FEDERAL FARM CREDIT BANK		12/29/2016	10,000,000.00	10,000,200.00	10,000,000.00	2.320	2.320	912	12/29/2021
3133EG2P9	16064	FEDERAL FARM CREDIT BANK		12/29/2016	10,000,000.00	10,000,200.00	10,000,000.00	2.320	2.320	912	12/29/2021
3133EG6N0	16084	FEDERAL FARM CREDIT BANK		02/09/2017	10,000,000.00	9,960,600.00	10,000,000.00	1.940	1.940	589	02/09/2021
3133EG7D1	16086	FEDERAL FARM CREDIT BANK		02/17/2017	10,000,000.00	9,985,600.00	9,997,762.15	1.550	1.612	137	11/15/2019
3133EHGZ0	16108	FEDERAL FARM CREDIT BANK		04/27/2017	10,000,000.00	9,967,600.00	10,000,000.00	1.580	1.580	301	04/27/2020
3133EHQM8	17001	FEDERAL FARM CREDIT BANK		07/05/2017	10,000,000.00	10,000,100.00	10,000,000.00	1.950	1.950	827	10/05/2021
3133EHQZ9	17003	FEDERAL FARM CREDIT BANK		07/12/2017	10,000,000.00	10,000,200.00	9,992,423.61	2.150	2.177	1,107	07/12/2022
3133EHF73	17012	FEDERAL FARM CREDIT BANK		10/17/2017	10,000,000.00	9,983,400.00	10,000,000.00	2.280	2.511	1,204	10/17/2022
3133EHNB5	17028	FEDERAL FARM CREDIT BANK		12/12/2017	10,000,000.00	10,000,000.00	9,956,828.45	1.870	2.100	714	06/14/2021
3133EH2P7	17029	FEDERAL FARM CREDIT BANK		12/12/2017	10,000,000.00	10,000,300.00	9,997,931.67	2.390	2.396	1,260	12/12/2022
3133EH3D3	17033	FEDERAL FARM CREDIT BANK		12/15/2017	10,000,000.00	10,000,300.00	9,991,361.11	2.430	2.457	1,263	12/15/2022
3133EH4R1	17037	FEDERAL FARM CREDIT BANK		12/28/2017	10,000,000.00	10,000,200.00	10,000,000.00	2.120	2.121	455	09/28/2020

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**General Fund  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupons</b>											
3130A86G3	15119	FEDERAL HOME LOAN BANK		05/25/2016	10,000,000.00	9,941,200.00	10,000,000.00	1.600	1.600	513	11/25/2020
3130A8LS0	15130	FEDERAL HOME LOAN BANK		06/30/2016	10,000,000.00	9,897,100.00	10,000,000.00	1.500	1.500	730	06/30/2021
3130A8MP5	16003	FEDERAL HOME LOAN BANK		07/13/2016	10,000,000.00	9,911,200.00	10,000,000.00	1.375	1.375	470	10/13/2020
3130A8P80	16005	FEDERAL HOME LOAN BANK		07/19/2016	10,000,000.00	9,907,500.00	10,000,000.00	1.400	1.400	568	01/19/2021
3130A9LS8	16026	FEDERAL HOME LOAN BANK		09/28/2016	10,000,000.00	9,915,500.00	10,000,000.00	1.375	1.375	455	09/28/2020
3130A9LT6	16027	FEDERAL HOME LOAN BANK		09/28/2016	10,000,000.00	9,937,200.00	10,000,000.00	1.550	1.550	820	09/28/2021
3130A9NG2	16029	FEDERAL HOME LOAN BANK		10/06/2016	10,000,000.00	9,928,500.00	9,994,566.67	1.540	1.565	828	10/06/2021
3130A9TV3	16038	FEDERAL HOME LOAN BANK		11/08/2016	10,000,000.00	9,969,300.00	9,995,294.44	1.500	1.421	861	11/08/2021
3130A9TP6	16039	FEDERAL HOME LOAN BANK		11/15/2016	10,000,000.00	9,997,000.00	10,000,000.00	2.000	1.429	319	05/15/2020
3130AA2F4	16040	FEDERAL HOME LOAN BANK		11/23/2016	10,000,000.00	9,964,500.00	10,000,000.00	1.700	1.700	876	11/23/2021
3130AB3L8	16109	FEDERAL HOME LOAN BANK		04/27/2017	10,000,000.00	10,000,700.00	10,000,000.00	1.750	2.492	1,031	04/27/2022
3130ABPE0	16113	FEDERAL HOME LOAN BANK		06/29/2017	10,000,000.00	10,006,100.00	10,000,000.00	2.125	2.125	1,094	06/29/2022
3130ABNV4	17004	FEDERAL HOME LOAN BANK		07/13/2017	10,000,000.00	9,971,400.00	9,995,040.00	1.750	1.800	378	07/13/2020
3130ACJ47	17014	FEDERAL HOME LOAN BANK		10/25/2017	10,000,000.00	9,992,600.00	9,988,060.00	1.750	2.387	1,212	10/25/2022
3130ACUK8	17020	FEDERAL HOME LOAN BANK		11/28/2017	10,000,000.00	10,012,300.00	9,996,183.33	2.000	2.021	697	05/28/2021
3130ACX82	17023	FEDERAL HOME LOAN BANK		12/06/2017	10,000,000.00	10,000,200.00	9,987,996.11	2.375	2.412	1,253	12/05/2022
3130ACU28	17030	FEDERAL HOME LOAN BANK		12/13/2017	10,000,000.00	10,009,100.00	10,000,000.00	2.375	2.375	1,261	12/13/2022
3130ADGX4	17051	FEDERAL HOME LOAN BANK		01/30/2018	10,000,000.00	10,002,200.00	10,000,000.00	2.250	2.251	487	10/30/2020
3130ADDR0	17052	FEDERAL HOME LOAN BANK		01/31/2018	10,000,000.00	10,002,500.00	9,981,621.75	2.250	2.374	575	01/26/2021
3134G9KW6	15121	FED HOME LOAN MORT CORP		06/08/2016	10,000,000.00	9,964,900.00	10,000,000.00	1.350	1.350	148	11/26/2019
3134G9UM7	15133	FED HOME LOAN MORT CORP		06/30/2016	10,000,000.00	9,968,400.00	10,000,000.00	1.625	1.730	730	06/30/2021
3134G9E52	15134	FED HOME LOAN MORT CORP		06/30/2016	10,000,000.00	9,929,200.00	10,000,000.00	1.330	1.330	548	12/30/2020
3134G9K22	16007	FED HOME LOAN MORT CORP		07/27/2016	10,000,000.00	9,973,000.00	10,000,000.00	1.500	1.300	757	07/27/2021
3134GAEG5	16021	FED HOME LOAN MORT CORP		08/24/2016	10,000,000.00	9,993,200.00	10,000,000.00	1.500	1.737	785	08/24/2021
3134G93Q8	16022	FED HOME LOAN MORT CORP		08/25/2016	10,000,000.00	9,902,400.00	10,000,000.00	1.680	1.680	786	08/25/2021
3134G95L7	16023	FED HOME LOAN MORT CORP		08/25/2016	10,000,000.00	9,944,800.00	10,000,000.00	1.600	1.600	786	08/25/2021
3134GABL7	16024	FED HOME LOAN MORT CORP		08/30/2016	10,000,000.00	9,954,600.00	10,000,000.00	1.500	1.500	424	08/28/2020
3134GAGC2	16025	FED HOME LOAN MORT CORP		09/13/2016	10,000,000.00	9,989,900.00	10,000,000.00	1.500	1.400	805	09/13/2021
3134GAQV9	16035	FED HOME LOAN MORT CORP		10/27/2016	10,000,000.00	9,943,400.00	10,000,000.00	1.400	1.657	849	10/27/2021
3134GAVP6	16037	FED HOME LOAN MORT CORP		11/04/2016	10,000,000.00	9,991,800.00	10,000,000.00	1.500	1.420	857	11/04/2021
3134GBHH8	16107	FED HOME LOAN MORT CORP		04/27/2017	10,000,000.00	10,035,500.00	10,000,000.00	2.000	1.900	1,031	04/27/2022
3134GBXF4	16114	FED HOME LOAN MORT CORP		06/30/2017	10,000,000.00	10,003,300.00	10,000,000.00	2.000	2.000	912	12/29/2021
3134GBWF5	17002	FED HOME LOAN MORT CORP		07/10/2017	10,000,000.00	10,007,500.00	9,990,961.43	2.000	1.957	1,094	06/29/2022
3134GBXB3	17005	FED HOME LOAN MORT CORP		07/18/2017	10,000,000.00	10,000,700.00	10,000,000.00	1.800	2.377	1,113	07/18/2022
3134GBYM8	17006	FED HOME LOAN MORT CORP		07/27/2017	10,000,000.00	10,000,200.00	10,000,000.00	2.200	2.200	1,122	07/27/2022
3134GBYQ9	17007	FED HOME LOAN MORT CORP		07/27/2017	10,000,000.00	10,000,900.00	10,000,000.00	2.000	2.000	666	04/27/2021

**General Fund  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupons</b>											
3134GBJ29	17009	FED HOME LOAN MORT CORP		09/29/2017	10,000,000.00	10,012,000.00	10,000,000.00	2.000	1.900	1,186	09/29/2022
3134GBM74	17010	FED HOME LOAN MORT CORP		09/29/2017	10,000,000.00	10,007,100.00	10,000,000.00	2.150	2.150	1,186	09/29/2022
3134GBV33	17016	FED HOME LOAN MORT CORP		10/27/2017	10,000,000.00	10,003,700.00	10,000,000.00	2.000	1.950	1,214	10/27/2022
3134GB3B6	17021	FED HOME LOAN MORT CORP		11/30/2017	10,000,000.00	10,000,400.00	10,000,000.00	2.000	2.000	606	02/26/2021
3134GB7G1	17035	FED HOME LOAN MORT CORP		12/21/2017	10,000,000.00	10,008,100.00	10,000,000.00	2.250	2.724	1,269	12/21/2022
3134GSAG0	17038	FED HOME LOAN MORT CORP		12/28/2017	10,000,000.00	10,010,200.00	10,000,000.00	2.350	2.350	1,093	06/28/2022
3134GB6V9	17039	FED HOME LOAN MORT CORP		12/28/2017	10,000,000.00	10,009,800.00	10,000,000.00	2.500	2.500	1,276	12/28/2022
3134GB5U2	17040	FED HOME LOAN MORT CORP		12/29/2017	10,000,000.00	10,005,700.00	10,000,000.00	2.125	2.125	729	06/29/2021
3134GB6P2	17041	FED HOME LOAN MORT CORP		12/29/2017	10,000,000.00	10,002,100.00	10,000,000.00	2.000	2.000	364	06/29/2020
3134GSCD5	17053	FED HOME LOAN MORT CORP		01/31/2018	10,000,000.00	10,002,800.00	9,957,033.33	2.550	2.679	1,309	01/30/2023
3134GSDA0	17057	FED HOME LOAN MORT CORP		02/27/2018	10,000,000.00	10,012,800.00	10,000,000.00	2.750	2.750	1,337	02/27/2023
3136G2SD0	15034	FEDERAL NATIONAL MORT. ASSOC.		10/30/2015	10,000,000.00	9,978,200.00	10,000,000.00	1.400	1.400	120	10/29/2019
3136G2YA9	15096	FEDERAL NATIONAL MORT. ASSOC.		02/26/2016	10,000,000.00	9,971,200.00	10,000,000.00	1.400	1.400	148	11/26/2019
3136G3CT0	15097	FEDERAL NATIONAL MORT. ASSOC.		03/15/2016	10,000,000.00	10,004,500.00	10,000,000.00	2.000	1.896	623	03/15/2021
3136G3MG7	15114	FEDERAL NATIONAL MORT. ASSOC.		05/20/2016	10,000,000.00	9,954,100.00	9,997,244.44	1.500	1.532	322	05/18/2020
3136G3QU2	15120	FEDERAL NATIONAL MORT. ASSOC.		05/25/2016	10,000,000.00	9,975,800.00	10,000,000.00	1.750	1.750	694	05/25/2021
3136G3RK3	15124	FEDERAL NATIONAL MORT. ASSOC.		06/14/2016	10,000,000.00	9,944,800.00	10,000,000.00	1.800	1.613	714	06/14/2021
3136G3RK3	15126	FEDERAL NATIONAL MORT. ASSOC.		06/29/2016	10,000,000.00	9,944,800.00	10,018,904.20	1.800	1.511	714	06/14/2021
3136G3WK7	15128	FEDERAL NATIONAL MORT. ASSOC.		06/30/2016	10,000,000.00	9,942,300.00	10,000,000.00	1.220	1.220	273	03/30/2020
3136G3WK7	15129	FEDERAL NATIONAL MORT. ASSOC.		06/30/2016	10,000,000.00	9,942,300.00	10,000,000.00	1.220	1.220	273	03/30/2020
3136G3XZ3	16008	FEDERAL NATIONAL MORT. ASSOC.		07/28/2016	10,000,000.00	9,948,200.00	10,000,000.00	1.500	1.500	758	07/28/2021
3136G3XY6	16009	FEDERAL NATIONAL MORT. ASSOC.		07/28/2016	10,000,000.00	9,977,100.00	10,000,000.00	2.000	1.600	758	07/28/2021
3135G0N58	16016	FEDERAL NATIONAL MORT. ASSOC.		08/16/2016	10,000,000.00	9,986,100.00	9,999,791.67	1.200	1.217	46	08/16/2019
3136G4CV3	16028	FEDERAL NATIONAL MORT. ASSOC.		09/30/2016	10,000,000.00	9,913,500.00	9,994,381.94	1.400	1.426	822	09/30/2021
3136G4DF7	16034	FEDERAL NATIONAL MORT. ASSOC.		10/26/2016	10,000,000.00	9,947,900.00	10,000,000.00	1.500	1.500	756	07/26/2021
3136G4EV1	16036	FEDERAL NATIONAL MORT. ASSOC.		10/28/2016	10,000,000.00	9,963,200.00	10,000,000.00	1.625	1.625	850	10/28/2021
3136G4JJ3	16060	FEDERAL NATIONAL MORT. ASSOC.		12/28/2016	10,000,000.00	9,949,200.00	10,000,000.00	1.750	1.750	455	09/28/2020
3136G4NE9	16095	FEDERAL NATIONAL MORT. ASSOC.		03/29/2017	10,000,000.00	9,975,400.00	10,000,000.00	1.750	1.750	364	06/29/2020
3136G4PR8	17011	FEDERAL NATIONAL MORT. ASSOC.		10/05/2017	15,000,000.00	15,007,050.00	15,000,000.00	2.160	2.160	1,192	10/05/2022
3136G4PZ0	17015	FEDERAL NATIONAL MORT. ASSOC.		10/26/2017	10,000,000.00	10,001,000.00	10,000,000.00	2.000	2.000	756	07/26/2021
<b>Subtotal and Average</b>			<b>903,492,263.23</b>		<b>895,000,000.00</b>	<b>892,667,450.00</b>	<b>894,828,752.96</b>		<b>1.828</b>	<b>748</b>	
<b>Medium Term Notes</b>											
037833BS8	17054	Apple Inc.		01/31/2018	10,000,000.00	10,035,700.00	9,955,605.37	2.250	2.532	603	02/23/2021
3134GTKU6	18318	FED HOME LOAN MORT CORP		04/29/2019	10,000,000.00	10,003,300.00	10,000,000.00	2.500	2.500	486	10/29/2020
3134GTKU6	18319	FED HOME LOAN MORT CORP		04/29/2019	5,000,000.00	5,001,650.00	5,000,000.00	2.500	2.500	486	10/29/2020

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**General Fund  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
<b>Medium Term Notes</b>											
459200HM6	15005	IBM CORP		07/13/2015	10,000,000.00	9,942,600.00	9,961,173.59	1.625	2.095	319	05/15/2020
478160BS2	17055	Johnson & Johnson		02/02/2018	10,000,000.00	9,942,300.00	9,880,162.31	1.650	2.400	609	03/01/2021
594918AY0	14050	Microsoft Corp		02/23/2015	10,000,000.00	9,980,400.00	10,001,717.10	1.850	1.821	226	02/12/2020
89236TEH4	17050	TOYOTA MOTOR CREDIT		01/23/2018	10,000,000.00	9,906,000.00	9,971,334.43	2.250	2.405	707	06/07/2021
89236TEY7	17074	TOYOTA MOTOR CREDIT		06/01/2018	10,000,000.00	9,819,900.00	9,990,262.04	3.100	3.127	1,395	04/26/2023
94986RY1	15017	Wells Fargo & Co		09/25/2015	10,000,000.00	9,998,200.00	10,000,000.00	2.500	2.431	452	09/25/2020
<b>Subtotal and Average</b>			<b>84,753,891.24</b>		<b>85,000,000.00</b>	<b>84,630,050.00</b>	<b>84,760,254.84</b>		<b>2.419</b>	<b>593</b>	
<b>Negotiable Certificates of Deposit</b>											
00851BCG8	18181	Agricultural Bk China NY		03/08/2019	20,000,000.00	20,001,400.00	20,000,000.00	2.700	2.737	7	07/08/2019
05971XMR9	18248	BANCO ESTADO CHILE/NY		04/05/2019	10,000,000.00	10,002,300.00	10,000,000.00	2.590	2.590	35	08/05/2019
05971XMQ1	18249	BANCO ESTADO CHILE/NY		04/05/2019	10,000,000.00	10,005,400.00	10,000,000.00	2.610	2.610	65	09/04/2019
22535CEF4	18291	Credit Agricole CIB NY		04/16/2019	20,000,000.00	20,045,000.00	20,000,000.00	2.560	2.596	198	01/15/2020
53947CBD9	18221	Lloyds Bank Corp Mkts NY		03/26/2019	20,000,000.00	20,005,200.00	20,000,000.00	2.610	2.646	37	08/07/2019
53947CBC1	18222	Lloyds Bank Corp Mkts NY		03/26/2019	20,000,000.00	20,003,200.00	20,000,000.00	2.600	2.636	25	07/26/2019
78012UNL5	18281	Royal Bank of Canada		04/12/2019	10,000,000.00	10,019,500.00	10,000,000.00	2.590	2.582	190	01/07/2020
78012UNM3	18282	Royal Bank of Canada		04/12/2019	10,000,000.00	10,018,900.00	10,000,000.00	2.590	2.590	186	01/03/2020
83369Y4G8	18280	SOCIETEGENERALE NY		04/12/2019	20,000,000.00	20,023,600.00	20,000,000.00	2.600	2.592	196	01/13/2020
83369Y4Q6	18322	SOCIETEGENERALE NY		04/29/2019	20,000,000.00	20,023,800.00	20,000,000.00	2.590	2.626	217	02/03/2020
86564FUY7	18214	Sumitomo Mitsui Trust		03/22/2019	20,000,000.00	20,002,400.00	20,000,000.00	2.585	2.621	21	07/22/2019
89114MTC1	18087	TORONTO DOMINION BANK NY		01/14/2019	25,000,000.00	25,002,500.00	25,000,000.00	2.770	2.770	7	07/08/2019
89114MC47	18263	TORONTO DOMINION BANK NY		04/09/2019	10,000,000.00	10,000,400.00	10,000,000.00	2.570	2.570	7	07/08/2019
89114MC54	18264	TORONTO DOMINION BANK NY		04/09/2019	10,000,000.00	10,004,000.00	10,000,000.00	2.570	2.570	70	09/09/2019
<b>Subtotal and Average</b>			<b>229,000,000.00</b>		<b>225,000,000.00</b>	<b>225,157,600.00</b>	<b>225,000,000.00</b>		<b>2.637</b>	<b>88</b>	
<b>Collateralized CDs</b>											
SYS18004	18004	Five Star Bank		08/23/2018	5,000,000.00	5,000,000.00	5,000,000.00	2.400	2.433	53	08/23/2019
SYS18298	18298	River City Bank		04/17/2019	3,000,000.00	3,000,000.00	3,000,000.00	2.200	2.231	291	04/17/2020
SYS18327	18327	River Valley Community Bank		05/01/2019	3,000,000.00	3,000,000.00	3,000,000.00	2.500	2.535	305	05/01/2020
<b>Subtotal and Average</b>			<b>11,000,000.00</b>		<b>11,000,000.00</b>	<b>11,000,000.00</b>	<b>11,000,000.00</b>		<b>2.406</b>	<b>187</b>	
<b>Supranational</b>											
459058EV1	18109	INT'L BANK RECON & DEVELOP		01/29/2019	10,000,000.00	9,992,641.67	9,991,818.51	1.250	2.595	25	07/26/2019
<b>Subtotal and Average</b>			<b>9,986,469.07</b>		<b>10,000,000.00</b>	<b>9,992,641.67</b>	<b>9,991,818.51</b>		<b>2.595</b>	<b>25</b>	

**General Fund  
Portfolio Management  
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
<b>Commercial Paper Disc. -Amortizing</b>											
46640PAA1	18286	JP MORGAN SECURITIES LLC		04/15/2019	10,000,000.00	9,864,363.89	9,864,363.89	2.530	2.650	193	01/10/2020
62479MU50	18242	MUFG BANK LTD/NY		04/02/2019	10,000,000.00	9,997,222.22	9,997,222.22	2.500	2.551	4	07/05/2019
62479MV59	18243	MUFG BANK LTD/NY		04/02/2019	10,000,000.00	9,975,402.78	9,975,402.78	2.530	2.588	35	08/05/2019
62479MXP3	18305	MUFG BANK LTD/NY		04/24/2019	10,000,000.00	9,919,566.67	9,919,566.67	2.540	2.609	114	10/23/2019
62479MWP4	18306	MUFG BANK LTD/NY		04/24/2019	10,000,000.00	9,940,966.67	9,940,966.67	2.530	2.593	84	09/23/2019
62479MUV3	18371	MUFG BANK LTD/NY		05/29/2019	10,000,000.00	9,981,100.00	9,981,100.00	2.430	2.474	28	07/29/2019
62479MUK7	18392	MUFG BANK LTD/NY		06/27/2019	10,000,000.00	9,988,450.00	9,988,450.00	2.310	2.345	18	07/19/2019
89233GAH9	18310	Toyota Motor Credit Corp		04/25/2019	20,000,000.00	19,720,000.00	19,720,000.00	2.520	2.639	200	01/17/2020
<b>Subtotal and Average</b>			<b>155,145,521.95</b>		<b>90,000,000.00</b>	<b>89,387,072.23</b>	<b>89,387,072.23</b>		<b>2.565</b>	<b>97</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313384RU5	18314	Federal Home Loan Bank Discoun		04/26/2019	10,000,000.00	9,888,400.00	9,870,855.56	2.360	2.459	197	01/14/2020
313384HP7	18394	Federal Home Loan Bank Discoun		06/28/2019	70,000,000.00	70,000,000.00	70,000,000.00	2.000	2.056	0	07/01/2019
<b>Subtotal and Average</b>			<b>18,360,870.70</b>		<b>80,000,000.00</b>	<b>79,888,400.00</b>	<b>79,870,855.56</b>		<b>2.106</b>	<b>24</b>	
<b>Treasury Discounts -Amortizing</b>											
912796RZ4	18178	U.S TREASURY N/B		03/08/2019	10,000,000.00	9,994,700.00	9,993,388.89	2.380	2.467	10	07/11/2019
912796RW1	18180	U.S TREASURY N/B		03/08/2019	10,000,000.00	9,997,800.00	9,997,344.44	2.390	2.476	4	07/05/2019
912796SF7	18197	U.S TREASURY N/B		03/14/2019	10,000,000.00	9,965,600.00	9,960,175.00	2.430	2.527	59	08/29/2019
912796SB6	18198	U.S TREASURY N/B		03/14/2019	10,000,000.00	9,982,700.00	9,979,290.28	2.405	2.496	31	08/01/2019
912796SC4	18199	U.S TREASURY N/B		03/14/2019	10,000,000.00	9,978,200.00	9,974,508.33	2.415	2.507	38	08/08/2019
912796RW1	18254	U.S TREASURY N/B		04/08/2019	10,000,000.00	9,997,800.00	9,997,361.11	2.375	2.456	4	07/05/2019
912796RZ4	18255	U.S TREASURY N/B		04/08/2019	10,000,000.00	9,994,700.00	9,993,472.22	2.350	2.431	10	07/11/2019
912796QR3	18256	U.S TREASURY N/B		04/08/2019	10,000,000.00	9,990,300.00	9,988,879.17	2.355	2.437	17	07/18/2019
912796SB6	18257	U.S TREASURY N/B		04/08/2019	10,000,000.00	9,982,700.00	9,979,634.72	2.365	2.450	31	08/01/2019
912796QV4	18258	U.S TREASURY N/B		04/08/2019	10,000,000.00	9,973,800.00	9,970,437.50	2.365	2.452	45	08/15/2019
912796SE0	18259	U.S TREASURY N/B		04/08/2019	10,000,000.00	9,969,700.00	9,965,694.45	2.375	2.464	52	08/22/2019
912796QR3	18269	U.S TREASURY N/B		04/10/2019	5,000,000.00	4,995,150.00	4,994,439.58	2.355	2.437	17	07/18/2019
912796SJ9	18270	U.S TREASURY N/B		04/10/2019	5,000,000.00	4,976,900.00	4,973,555.56	2.380	2.473	80	09/19/2019
912796RY7	18290	U.S TREASURY N/B		04/16/2019	10,000,000.00	9,887,400.00	9,861,550.00	2.340	2.441	213	01/30/2020
<b>Subtotal and Average</b>			<b>136,836,652.56</b>		<b>130,000,000.00</b>	<b>129,687,450.00</b>	<b>129,629,731.25</b>		<b>2.466</b>	<b>43</b>	
<b>Supranational Discounts -Amortizing</b>											
<b>Subtotal and Average</b>			<b>666,644.17</b>								

**General Fund  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
<b>Local Agency Bond</b>											
SYS16098	16098	Ackerman School District		04/03/2017	6,461,867.98	6,358,070.99	6,461,867.98	2.800	2.800	6,486	04/03/2037
SYS17042	17042	Mid Placer Public School Trans		12/21/2017	337,310.78	345,636.62	337,310.78	2.850	2.850	3,095	12/21/2027
SYS18093	18093	Mid Placer Public School Trans		01/16/2019	974,221.81	974,221.81	974,221.81	3.000	3.000	3,487	01/16/2029
16115	16115	Newcastle Elementary SD		06/30/2017	2,868,324.90	2,649,256.59	2,868,324.90	2.800	2.800	10,226	06/30/2047
<b>Subtotal and Average</b>			<b>10,693,374.26</b>		<b>10,641,725.47</b>	<b>10,327,186.01</b>	<b>10,641,725.47</b>		<b>2.820</b>	<b>7,112</b>	
<b>Local Agency Bonds</b>											
SYS15022	15022	Middle Fork JPA		04/01/2015	72,613,549.15	72,880,229.67	72,613,549.15	3.471	3.519	6,119	04/01/2036
SYS17034	17034	Pioneer Community Energy		12/14/2017	14,405,000.00	16,214,397.65	14,405,000.00	2.650	2.687	1,431	06/01/2023
<b>Subtotal and Average</b>			<b>87,040,215.82</b>		<b>87,018,549.15</b>	<b>89,094,627.32</b>	<b>87,018,549.15</b>		<b>3.381</b>	<b>5,343</b>	
<b>Rolling Repurchase Agreements - 2</b>											
SYS000SWEET3	SWEET3	WELLS FARGO BANK		03/01/2018	0.00	0.00	0.00	0.180	0.183	1	
<b>Subtotal and Average</b>			<b>15,610,992.67</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0.000</b>	<b>0</b>	
<b>mPower Placer</b>											
2016NR-A	2016NR-A	mPower Placer		08/04/2016	3,780,202.41	3,333,317.84	3,780,202.41	3.000	3.042	6,638	09/02/2037
2017 NR	2017 NR	mPower Placer		07/06/2017	243,165.32	212,132.76	243,165.32	3.000	3.042	7,003	09/02/2038
2017 R	2017 R	mPower Placer		07/06/2017	292,281.81	253,419.73	292,281.81	3.000	3.042	7,003	09/02/2038
2018 NR	2018 NR	mPower Placer		07/26/2018	46,344.27	46,344.27	46,344.27	4.500	4.563	7,368	09/02/2039
2018 R	2018 R	mPower Placer		07/12/2018	325,569.71	325,569.71	325,569.71	4.500	4.563	7,368	09/02/2039
2018 S-NR	18003	Pioneer Community Energy		08/09/2018	418,151.01	418,151.01	418,151.01	4.500	4.563	7,368	09/02/2039
2017 S NR	2017 S-NR	Pioneer Community Energy		09/28/2017	138,322.57	116,153.06	138,322.57	3.000	3.042	7,003	09/02/2038
2017 S-R	2017 S-R	Pioneer Community Energy		07/06/2017	4,839,028.08	4,224,616.68	4,839,028.08	3.000	3.042	7,003	09/02/2038
2018 S-R	2018 S-R	Pioneer Community Energy		07/12/2018	5,478,246.31	5,478,246.31	5,478,246.31	4.500	4.563	7,368	09/02/2039
2016S R-1	2016S R-1	Sierra Valley Energy Authority		01/26/2017	354,769.06	313,864.54	354,769.06	3.000	3.042	6,638	09/02/2037
<b>Subtotal and Average</b>			<b>15,665,916.00</b>		<b>15,916,080.55</b>	<b>14,721,815.91</b>	<b>15,916,080.55</b>		<b>3.641</b>	<b>7,052</b>	
<b>mPower - Folsom</b>											
2016-IA3 #2	2016-IA3 #2	mPower Folsom		07/14/2016	310,131.83	308,031.31	310,131.83	1.250	1.267	6,638	09/02/2037
2017-IA3 #3	2017-IA3 #3	mPower Folsom		07/27/2017	250,455.96	212,583.76	250,455.96	1.250	1.267	7,003	09/02/2038
MFIA-2 NR	IA2-NR	mPower Folsom		08/06/2015	1,502,306.58	1,358,753.67	1,502,306.58	1.250	1.267	6,273	09/02/2036
MFIA-3	MFIA-3	mPower Folsom		09/01/2015	610,107.61	543,518.64	610,107.61	1.250	1.267	6,273	09/02/2036
MF R-1	MFR-1	mPower Folsom		09/01/2015	262,428.40	240,452.65	262,428.40	1.250	1.267	6,273	09/02/2036
<b>Subtotal and Average</b>			<b>2,935,430.38</b>		<b>2,935,430.38</b>	<b>2,663,340.03</b>	<b>2,935,430.38</b>		<b>1.267</b>	<b>6,374</b>	

**General Fund  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity
		Total and Average	1,730,061,586.43		1,681,613,151.64	1,678,439,702.05	1,680,156,182.48		2.193	897

**General Fund  
Portfolio Management  
Portfolio Details - Cash  
June 30, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity
<b>Cash at Bank</b>										
SYS00000	00000	PLACER COUNTY CASH			8,220,919.76	8,220,919.76	8,220,919.76		0.000	1
<b>Undeposited Receipts</b>										
SYS00000VAULT	00000VAULT	PLACER COUNTY CASH			1,039,091.82	1,039,091.82	1,039,091.82		0.000	1
		<b>Average Balance</b>	<b>0.00</b>							<b>1</b>
<b>Total Cash and Investments</b>			<b>1,730,061,586.43</b>		<b>1,690,873,163.22</b>	<b>1,687,699,713.63</b>	<b>1,689,416,194.06</b>		<b>2.193</b>	<b>897</b>



**General Fund  
Purchases Report  
Sorted by Fund - Fund  
June 1, 2019 - June 30, 2019**

CUSIP	Investment #	Fund	Sec. Type Issuer	Original Par Value	Purchase Date Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
<b>General Fund</b>											
63873KT49	18374	1010	ACP NATXNY	95,000,000.00	06/03/2019 06/04 - At Maturity	94,993,798.61		2.350	06/04/2019	2.350	0.00
63873KT56	18375	1010	ACP NATXNY	90,000,000.00	06/04/2019 06/05 - At Maturity	89,994,125.00		2.350	06/05/2019	2.350	0.00
63873KT64	18376	1010	ACP NATXNY	90,000,000.00	06/05/2019 06/06 - At Maturity	89,994,125.00		2.350	06/06/2019	2.350	0.00
22533UTL7	18377	1010	ACP CACPNY	10,000,000.00	06/06/2019 06/20 - At Maturity	9,990,938.89		2.330	06/20/2019	2.332	0.00
62479MTD5	18378	1010	ACP MUFGBK	10,000,000.00	06/06/2019 06/13 - At Maturity	9,995,488.89		2.320	06/13/2019	2.321	0.00
63873KT72	18379	1010	ACP NATXNY	90,000,000.00	06/06/2019 06/07 - At Maturity	89,994,125.00		2.350	06/07/2019	2.350	0.00
63873KTA5	18380	1010	ACP NATXNY	90,000,000.00	06/07/2019 06/10 - At Maturity	89,982,375.00		2.350	06/10/2019	2.350	0.00
63873KTB3	18381	1010	ACP NATXNY	80,000,000.00	06/10/2019 06/11 - At Maturity	79,994,777.78		2.350	06/11/2019	2.350	0.00
63873KTC1	18382	1010	ACP NATXNY	75,000,000.00	06/11/2019 06/12 - At Maturity	74,995,104.17		2.350	06/12/2019	2.350	0.00
63873KTE7	18383	1010	ACP NATXNY	95,000,000.00	06/13/2019 06/14 - At Maturity	94,993,798.61		2.350	06/14/2019	2.350	0.00
63873KTH0	18384	1010	ACP NATXNY	95,000,000.00	06/14/2019 06/17 - At Maturity	94,981,395.83		2.350	06/17/2019	2.350	0.00
63873KTJ6	18385	1010	ACP NATXNY	95,000,000.00	06/17/2019 06/18 - At Maturity	94,993,798.61		2.350	06/18/2019	2.350	0.00
63873KTK3	18386	1010	ACP NATXNY	95,000,000.00	06/18/2019 06/19 - At Maturity	94,993,798.61		2.350	06/19/2019	2.350	0.00
63873KTL1	18387	1010	ACP NATXNY	95,000,000.00	06/19/2019 06/20 - At Maturity	94,993,798.61		2.350	06/20/2019	2.350	0.00
63873KTR8	18388	1010	ACP NATXNY	100,000,000.00	06/24/2019 06/25 - At Maturity	99,993,472.22		2.350	06/25/2019	2.350	0.00
313384HL6	18390	1010	AFD FHLB	15,000,000.00	06/25/2019 06/28 - At Maturity	14,997,287.50		2.170	06/28/2019	2.201	0.00
63873KTS6	18389	1010	ACP NATXNY	100,000,000.00	06/25/2019 06/26 - At Maturity	99,993,472.22		2.350	06/26/2019	2.350	0.00
63873KTT4	18391	1010	ACP NATXNY	100,000,000.00	06/26/2019 06/27 - At Maturity	99,993,472.22		2.350	06/27/2019	2.350	0.00
62479MUK7	18392	1010	ACP MUFGBK	10,000,000.00	06/27/2019 07/19 - At Maturity	9,985,883.33		2.310	07/19/2019	2.313	9,988,450.00
63873KTU1	18393	1010	ACP NATXNY	100,000,000.00	06/27/2019 06/28 - At Maturity	99,993,472.22		2.350	06/28/2019	2.350	0.00
313384HP7	18394	1010	AFD FHLBDN	70,000,000.00	06/28/2019 07/01 - At Maturity	69,988,333.33		2.000	07/01/2019	2.028	70,000,000.00
			<b>Subtotal</b>	<b>1,600,000,000.00</b>		<b>1,599,836,841.65</b>	<b>0.00</b>				<b>79,988,450.00</b>
			<b>Total Purchases</b>	<b>1,600,000,000.00</b>		<b>1,599,836,841.65</b>	<b>0.00</b>				<b>79,988,450.00</b>





## General Fund Summary by Issuer June 30, 2019

Issuer	Number of Investments	Par Value	Remaining Cost	% of Portfolio	Average YTM 365	Average Days to Maturity
Apple Inc.	1	10,000,000.00	9,917,360.00	0.59	2.532	603
Ackerman School District	1	6,461,867.98	6,461,867.98	0.38	2.800	6,486
Agricultural Bk China NY	1	20,000,000.00	20,000,000.00	1.19	2.737	7
BANCO ESTADO CHILE/NY	2	20,000,000.00	20,000,000.00	1.19	2.600	50
Credit Agricole CIB NY	1	20,000,000.00	20,000,000.00	1.19	2.596	198
FEDERAL FARM CREDIT BANK	23	230,000,000.00	229,868,000.00	13.62	1.873	707
FEDERAL HOME LOAN BANK	19	190,000,000.00	189,886,100.00	11.26	1.850	759
Federal Home Loan Bank Discoun	2	80,000,000.00	79,815,922.22	4.73	2.106	24
FED HOME LOAN MORT CORP	30	295,000,000.00	294,925,000.00	17.48	1.967	871
FEDERAL NATIONAL MORT. ASSOC.	19	195,000,000.00	195,018,000.00	11.56	1.598	576
Five Star Bank	1	5,000,000.00	5,000,000.00	0.30	2.433	53
IBM CORP	1	10,000,000.00	9,784,600.00	0.58	2.095	319
INT'L BANK RECON & DEVELOP	1	10,000,000.00	9,934,700.00	0.59	2.595	25
Johnson & Johnson	1	10,000,000.00	9,778,500.00	0.58	2.400	609
JP MORGAN SECURITIES LLC	1	10,000,000.00	9,810,250.00	0.58	2.650	193
Lloyds Bank Corp Mkts NY	2	40,000,000.00	40,000,000.00	2.37	2.641	31
Middle Fork JPA	1	72,613,549.15	72,613,549.15	4.30	3.519	6,119
Mid Placer Public School Trans	2	1,311,532.59	1,311,532.59	0.08	2.961	3,386
mPower Folsom	5	2,935,430.38	2,935,430.38	0.17	1.267	6,374
mPower Placer	8	10,184,510.54	10,231,844.54	0.61	3.718	6,390
Microsoft Corp	1	10,000,000.00	10,013,900.00	0.59	1.821	226
MUFG BANK LTD/NY	6	60,000,000.00	59,556,350.00	3.53	2.527	47
Newcastle Elementary SD	1	2,868,324.90	2,868,324.90	0.17	2.800	10,226

**General Fund  
Summary by Issuer  
June 30, 2019**

Issuer	Number of Investments	Par Value	Remaining Cost	% of Portfolio	Average YTM 365	Average Days to Maturity
Public Finance Authority	1	4,195,404.83	4,279,312.93	0.25	4.894	7,032
Pioneer Community Energy	5	25,278,747.97	25,278,747.97	1.50	3.194	3,913
PLACER COUNTY CASH	2	9,260,011.58	8,220,919.76	0.49	0.000	1
River City Bank	1	3,000,000.00	3,000,000.00	0.18	2.231	291
River Valley Community Bank	1	3,000,000.00	3,000,000.00	0.18	2.535	305
Royal Bank of Canada	2	20,000,000.00	20,000,000.00	1.19	2.586	188
SOCIETEGENERALE NY	2	40,000,000.00	40,000,000.00	2.37	2.609	207
Sumitomo Mitsui Trust	1	20,000,000.00	20,000,000.00	1.19	2.621	21
Sierra Valley Energy Authority	1	354,769.06	354,769.06	0.02	3.042	6,638
U.S TREASURY N/B	17	160,000,000.00	158,689,938.87	9.41	2.340	149
TORONTO DOMINION BANK NY	3	45,000,000.00	45,000,000.00	2.67	2.681	21
Toyota Motor Credit Corp	1	20,000,000.00	19,626,200.00	1.16	2.639	200
TOYOTA MOTOR CREDIT	2	20,000,000.00	19,937,500.00	1.18	2.766	1,051
Wells Fargo & Co	1	10,000,000.00	10,000,000.00	0.59	2.431	452
WELLS FARGO BANK	1	0.00	0.00	0.00	0.000	0
<b>Total and Average</b>	<b>171</b>	<b>1,691,464,148.98</b>	<b>1,687,118,620.35</b>	<b>100.00</b>	<b>2.182</b>	<b>894</b>

**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN