

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is exempt from State of California personal income taxes. Bond Counsel also observes that interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds. See “TAX MATTERS” herein.

\$66,756,012.30
PARAMOUNT UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020
(FEDERALLY TAXABLE)

Dated: Date of Delivery**Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Paramount Unified School District (Los Angeles County, California) General Obligation Refunding Bonds, Series 2020 (Federally Taxable) (the “Refunding Bonds”) are being issued by the Paramount Unified School District (the “District”) (i) to refund a portion of the outstanding Paramount Unified School District General Obligation Bonds, Election of 2006, Series 2011 (Los Angeles County, California), (ii) to refund a portion of the outstanding Paramount Unified School District General Obligation Bonds, Election of 2006, Series 2013 (Los Angeles County, California), and (iii) to pay costs of issuance of the Refunding Bonds. The Refunding Bonds are being issued under the laws of the State and pursuant to a resolution of the Board of Education of the District, adopted on September 14, 2020.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County of Los Angeles is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal or accreted value of and interest on the Refunding Bonds, all as more fully described herein. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS” herein.

The Refunding Bonds will be issued as current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”), all as set forth on the inside front cover hereof. Interest on the Current Interest Bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2021. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Refunding Bonds issued as Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing February 1, 2021.

The scheduled payment of principal or accreted value of and interest as and when due on the Refunding Bonds will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Refunding Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Refunding Bonds will be issued in denominations of \$5,000 principal amount or maturity value, as applicable, or any integral multiple thereof as shown on the inside front cover hereof.

The Refunding Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Refunding Bonds. Individual purchases of the Refunding Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Refunding Bonds purchased by them. See “THE REFUNDING BONDS – Form and Registration” herein. Payments of the principal or accreted value of and interest on the Refunding Bonds will be made by U.S. Bank National Association, as agent for the Treasurer and Tax Collector of the County, the designated paying agent, registrar and transfer agent with respect to the Refunding Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Refunding Bonds. See “THE REFUNDING BONDS – Payment of Principal and Interest” herein.

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

The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Disclosure Counsel to the District; and for the District by its counsel, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation, Cerritos, California. Certain legal matters will be passed upon for the Underwriter by its counsel, James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about December 10, 2020.

PIPER | SANDLER

MATURITY SCHEDULE

BASE CUSIP[†]: 699211

\$66,756,012.30

PARAMOUNT UNIFIED SCHOOL DISTRICT

(Los Angeles County, California)

General Obligation Refunding Bonds, Series 2020 (Federally Taxable)

\$44,810,000 Current Interest Bonds

\$4,000,000 Serial Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number [†]
2029	\$1,000,000	1.982%	1.982%	PG7
2030	1,000,000	2.082	2.082	PH5
2031	1,000,000	2.242	2.242	PJ1
2032	1,000,000	2.382	2.382	PK8

\$40,810,000 3.272% Term Current Interest Bonds due August 1, 2051 – Yield 3.272% CUSIP Number[†] – PW2

\$21,946,012.30 Capital Appreciation Bonds

\$11,049,013.95 Initial Principal Amount of Term Capital Appreciation Bonds due August 1, 2041
3.722% Accretion Rate - \$23,655,000 Maturity Value - Reoffering Yield 3.722% CUSIP Number[†] – PU6

\$10,896,998.35 Initial Principal Amount of Term Capital Appreciation Bonds due August 1, 2047
3.842% Accretion Rate - \$30,035,000 Maturity Value - Reoffering Yield 3.842% CUSIP Number[†] – PV4

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**PARAMOUNT UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)**

BOARD OF EDUCATION

Vivian Hansen, *President*
Yesenia Cuarenta, *Vice President/Clerk*
Sonia De Leon, *Member*
Linda Garcia, *Member*
Carmen Gomez, *Member*

DISTRICT ADMINISTRATORS

Dr. Ruth Pérez, *Superintendent*
Ruben Frutos, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

Program Funding Manager/Municipal Advisor

California Financial Services
Ladera Ranch, California

District Counsel

Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation
Cerritos, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association, as agent for
the Treasurer and Tax Collector of the County of Los Angeles
Los Angeles, California

Escrow Bank

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

This Official Statement does not constitute an offering of any security other than the original offering of the Refunding Bonds by the District. 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 in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Refunding Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Refunding Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding 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 "BOND INSURANCE" and APPENDIX I – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "intend" or other similar words. 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 those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

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

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Refunding Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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\$66,756,012.30
PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Refunding Bonds, Series 2020 (Federally Taxable)

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 front cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Refunding Bonds to potential investors is made only by means of the entire Official Statement.

INTRODUCTION

General

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, is provided to furnish information in connection with the sale of \$66,756,012.30 aggregate initial principal amount of Paramount Unified School District (Los Angeles County, California) General Obligation Refunding Bonds, Series 2020 (Federally Taxable) (the “Refunding Bonds”), consisting of \$44,810,000.00 aggregate principal amount of current interest bonds (the “Current Interest Bonds”) and \$21,946,012.30 aggregate initial principal amount of capital appreciation bonds (the “Capital Appreciation Bonds”), all as indicated on the inside front cover hereof, to be offered by the Paramount Unified School District (the “District”).

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

The purpose of this Official Statement is to supply information to prospective buyers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds, the resolution of the Board of Education of the District providing for the issuance of the Refunding Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Refunding Bonds are available from the District by contacting: Paramount Unified School District, 15110 California Avenue, Paramount, California 90723-4378, Attention: Assistant Superintendent, Business Services. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was established in 1953 and covers approximately 6.7 square miles, which includes the City of Paramount and portions of the Cities of Long Beach, Lakewood, South Gate, Compton and

Bellflower in the County of Los Angeles (the “County”). The District currently operates eleven elementary schools, one K-8 school, four middle schools, three high schools, and one alternative education center. The District’s average daily attendance for fiscal year 2019-20 was approximately 14,336 and budgeted average daily attendance for fiscal year 2020-21 is approximately 13,846. The District has a 2020-21 assessed valuation of \$6,862,899,397.

The District is governed by a Board of Education (the “District Board”) consisting of five members, each 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 day-to-day operations are managed by a board-appointed Superintendent of Schools. On December 9, 2015, the District Board appointed Dr. Ruth Pérez as Superintendent. For additional information about the District, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET” and APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019.”

For specific information on the impact of the Coronavirus Disease 2019 (“COVID-19”) pandemic (i) on the security and source of payment for the Refunding Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE Refunding BONDS – Assessed Valuation of Property Within the District” and “ – Tax Charges and Delinquencies,” (ii) on the District’s operations and finances, see APPENDIX A – “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*,” and (iii) on the fiscal year 2020-21 State budget, see APPENDIX A – “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – 2020-21 State Budget.”

THE REFUNDING BONDS

Authority for Issuance; Plan of Refunding

The Refunding Bonds are issued by the District pursuant to the Constitution and laws of the State, including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable provisions of law, and pursuant to a resolution adopted by the Board of Education of the District on September 14, 2020, providing for the issuance of the Refunding Bonds (the “Resolution”). Proceeds from the Refunding Bonds will be used (i) to refund a portion of the outstanding Paramount Unified School District General Obligation Bonds, Election of 2006, Series 2011 (Los Angeles County, California) (the “2011 Bonds”), (ii) to refund a portion of the outstanding Paramount Unified School District General Obligation Bonds, Election of 2006, Series 2013 (Los Angeles County, California) (the “Series 2013 Bonds”), and (iii) to pay costs of issuance of the Refunding Bonds. See “–Plan of Refunding” and “–Estimated Sources and Uses of Funds” below.

Bond Insurance Policy

Concurrently with the issuance of the Refunding Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Refunding Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of (or in the case of Capital Appreciation Bonds, the accreted value) and interest on the Refunding Bonds when due as set forth in the form of the Policy included as Appendix I to this Official Statement. See “BOND INSURANCE.”

Form and Registration

The Refunding Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 principal amount or maturity value, as applicable, or integral multiples thereof. The Refunding Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Refunding

Bonds. Purchases of Refunding Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Refunding Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Refunding Bonds, beneficial owners of the Refunding Bonds (“Beneficial Owners”) will not receive physical certificates representing their ownership interests. See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.”

Payment of Principal and Interest

The Refunding Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds, all as set forth on the inside front cover page hereof.

Interest; Current Interest Bonds. The Refunding Bonds issued as Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an “Interest Payment Date”), commencing on February 1, 2021, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Current Interest Bond will bear interest from the Interest Payment Date for such Current Interest Bond next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date for such Current Interest Bond, whether or not such day is a business day (the “Record Date”), and on or prior to the succeeding Interest Payment Date for such Current Interest Bond, in which event it shall bear interest from such Interest Payment Date for such Current Interest Bond, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date for such Current Interest Bond, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

Interest; Capital Appreciation Bonds. The Refunding Bonds issued as Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity (on the basis of a 360-day year of twelve 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof (“Maturity Value”), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Payment Date (with straight-line interpolations between Interest Payment Dates), commencing on February 1, 2021.

Accreted Values. The rate of interest at which a Capital Appreciation Bond’s Maturity Value thereof is discounted to its initial principal amount is known as the “Accretion Rate,” and is stated on the inside front cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Payment Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Payment Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Payment Dates immediately preceding and following the date in question.

The Underwriter has prepared the Table of Accreted Values shown in Appendix H hereto with respect to the Capital Appreciation Bonds, in order to provide the value per \$5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Payment Date prior to maturity.

Payment of Refunding Bonds. The principal, accreted value or Maturity Value of the Refunding Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of U.S. Bank National Association, as agent of the Treasurer and Tax Collector of the County, as paying agent (the “Paying Agent”), at the maturity thereof or upon redemption prior to maturity.

Interest on the Current Interest Bonds is payable in lawful money of the United States of America by check or draft mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the “Owner”) at such Owner’s address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least \$1,000,000 of outstanding Current Interest Bonds who shall have requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Date. So long as the Refunding Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.”

Redemption

Optional Redemption. The Refunding Bonds issued as Current Interest Bonds maturing on or before August 1, 2030, are not subject to optional redemption prior to their respective stated maturity dates. The Refunding Bonds issued as Current Interest Bonds maturing on or after August 1, 2031, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2030, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The \$40,810,000 term Refunding Bonds issued as Current Interest Bonds maturing on August 1, 2051, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2047	\$ 5,000,000
2048	9,920,000
2049	10,360,000
2050	11,030,000
2051 [†]	4,500,000

[†] Maturity.

The principal amount of the \$40,810,000 term Refunding Bonds maturing on August 1, 2051, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Refunding Bonds issued as Current Interest Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The \$11,049,013.95 term Refunding Bonds issued as Capital Appreciation Bonds maturing on August 1, 2041, are subject to mandatory sinking fund redemption on August 1 in each of the years and in

the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value amount to be redeemed, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Initial Principal Amount to be Redeemed	Accreted Value Amounts to be Redeemed
2033	\$ 917,831.85	\$1,462,962.15
2034	1,057,958.85	1,749,667.20
2035	1,118,680.55	1,919,592.50
2036	1,099,996.95	1,958,441.55
2037	1,109,338.75	2,049,268.75
2038	1,240,123.95	2,376,915.30
2039	1,382,586.40	2,749,514.40
2040	1,529,719.75	3,156,412.25
2041 [†]	1,592,776.90	3,410,000.00

[†] Maturity.

The accreted value amounts of the \$11,049,013.95 term Refunding Bonds issued as Capital Appreciation Bonds maturing on August 1, 2041, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of Maturity Value.

The \$10,896,998.35 term Refunding Bonds issued as Capital Appreciation Bonds maturing on August 1, 2047, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value amount to be redeemed, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Initial Principal Amount to be Redeemed	Accreted Value Amounts to be Redeemed
2042	\$1,527,430.10	\$3,480,491.20
2043	1,414,959.00	3,349,281.00
2044	1,304,301.95	3,207,099.50
2045	1,525,616.05	3,896,815.55
2046	3,477,533.85	9,227,000.25
2047 [†]	1,647,157.40	4,540,000.00

[†] Maturity.

The accreted value amounts of the \$10,896,998.35 term Refunding Bonds issued as Capital Appreciation Bonds maturing on August 1, 2047, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of Maturity Value.

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

Notice of Redemption. Notice of any redemption of the Refunding Bonds will be given by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Refunding Bonds. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Refunding Bonds to be redeemed; (vi) if less than all of the Refunding Bonds of any maturity are to be redeemed, the distinctive numbers of the Refunding Bonds of each maturity to be redeemed; (vii) in the case of Refunding Bonds redeemed in part only, the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed; (viii) the CUSIP[†] number, if any, of each maturity of Refunding Bonds to be redeemed; (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Refunding Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption.

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

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Refunding Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the related Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Refunding Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Refunding Bond

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of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

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

Defeasance of Refunding Bonds

The District may pay and discharge any or all of the Refunding Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money and/or non-callable direct obligations of the United States of America (including zero interest-bearing State and Local Government Series) or other non-callable obligations the payment of the principal, accreted value or Maturity Value of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the related Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Refunding Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund created pursuant to the Resolution or by the Paying Agent or an escrow agent in trust for the payment of the principal or accreted value of, redemption premium, if any, or interest on the Refunding Bonds and remaining unclaimed for two years after the principal or accreted value of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to the related Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys are required to be transferred to the general fund of the District as provided and permitted by law.

Plan of Refunding

The Refunding Bonds will be issued (i) to refund a portion of the District's outstanding Series 2011 Bonds, maturing on August 1, 2046 (the "Refunded 2011 Bonds"), (ii) to refund a portion of the District's outstanding current interest Series 2013 Bonds, maturing on August 1 in the years 2033 and 2048 and a portion of the District's outstanding Series 2013 capital appreciation bonds, maturing on August 1 in the years 2022 through 2032, inclusive, 2043, 2048 and 2051 (collectively, the "Refunded 2013 Bonds," and

together with the Refunded 2011 Bonds, the “Refunded Bonds”), and (iii) to pay certain costs of issuance of the Refunding Bonds.

REFUNDED 2011 BONDS

Current Interest Bonds

<u>Maturity Date (August 1.)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP[†] Number</u>
2046	\$11,270,000	5.000%	August 1, 2021	100%	699211 HW1

REFUNDED 2013 BONDS

Capital Appreciation Bonds

<u>Maturity Date (August 1.)</u>	<u>Initial Principal Amount</u>	<u>Accretion Rate</u>	<u>Redemption Date</u>	<u>Accreted Value at Redemption</u>	<u>CUSIP[†] Number</u>
2022	\$ 278,418.40	12.00%	August 1, 2023	\$ 760,000	699211 JT6
2023	267,352.80	12.00	August 1, 2023	820,000	699211 JU3
2024	383,915.70	4.720	August 1, 2023	630,000	699211 JV1
2025	407,980.80	4.950	August 1, 2023	720,000	699211 JW9
2026	420,152.00	5.170	August 1, 2023	800,000	699211 JX7
2027	520,009.20	5.440	August 1, 2023	1,080,000	699211 JY5
2028	630,234.75	5.660	August 1, 2023	1,425,000	699211 JZ2
2029	664,404.30	5.830	August 1, 2023	1,630,000	699211 KA5
2030	635,675.85	5.990	August 1, 2023	1,695,000	699211 KB3
2031	600,613.20	6.130	August 1, 2023	1,740,000	699211 KC1
2032	660,992.20	6.200	August 1, 2023	2,060,000	699211 KD9
2043	10,224,766.40	6.850	August 1, 2023	75,160,000	699211 KE7
2048	5,050,062.00	7.100	August 1, 2023	56,520,000	699211 KJ6
2051	3,168,584.60	7.220	August 1, 2023	45,670,000	699211 KG2

Current Interest Bonds

<u>Maturity Date (August 1.)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP[†] Number</u>
2033	\$3,605,000	4.500%	August 1, 2023	100%	699211 KH0
2048	3,935,000	5.000	August 1, 2023	100	699211 KF4

[†] CUSIP numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such CUSIP numbers.

The maturities of the District's outstanding Series 2011 Bonds listed in the following table will not be refunded with proceeds of the Refunding Bonds.

UNREFUNDED SERIES 2011 BONDS

Capital Appreciation Bonds

<u>Maturity Date (August 1.)</u>	<u>Original Principal Amount</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>	<u>CUSIP[†] Number (699211)</u>
2021	\$257,532.30	12.000%	\$ 795,000	HL5
2022	491,641.25	5.800	905,000	HM3
2023	179,248.45	5.430	335,000	HN1
2025	36,319.20	5.860	80,000	HQ4
2026	98,961.60	6.130	240,000	HR2
2027	127,882.90	6.240	335,000	HX9
2028	120,884.55	6.390	345,000	HY7
2029	142,313.60	6.490	440,000	HZ4
2030	192,551.85	6.580	645,000	JA7
2031	263,685.05	6.650	955,000	HS0
2032	303,485.70	6.720	1,190,000	JB5
2033	852,790.30	6.770	3,610,000	JC3
2034	814,285.00	6.820	3,725,000	HE1
2035	802,137.60	6.860	3,960,000	HP6
2036	815,046.25	6.880	4,325,000	JD1
2037	849,086.25	6.900	4,845,000	HT8
2042	4,080,232.80	6.960	33,270,000	HU5

Convertible Capital Appreciation Bonds

<u>Maturity Date (August 1.)</u>	<u>Original Principal Amount</u>	<u>Accretion Rate to Conversion</u>	<u>Conversion Date</u>	<u>Conversion Value</u>	<u>Interest Rate After Conversion</u>	<u>CUSIP[†] Number (699211)</u>
2045	\$11,530,217.35	6.375%	February 1, 2023	\$23,245,000	6.375%	HV3

The maturities of the District's outstanding Series 2013 Bonds listed in the following table will not be refunded with proceeds of the Refunding Bonds.

UNREFUNDED SERIES 2013 BONDS

Capital Appreciation Bonds

<u>Maturity Date (August 1.)</u>	<u>Original Principal Amount</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>	<u>CUSIP[†] Number</u>
2021	\$249,036.15	12.00%	\$605,000	69921 JS8

The District and U.S. Bank National Association, as escrow bank (the "Escrow Bank") will enter into the Escrow Agreement, dated as of November 1, 2020 (the "Escrow Agreement"), with respect to the Refunded Bonds, pursuant to which the District will deposit a portion of the proceeds from the sale of the Refunding Bonds into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Refunded Bonds, which will be held pursuant to the Escrow Agreement, will be used to purchase non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series securities) or other non-callable obligations the

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payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America (collectively, the “Defeasance Securities”), the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank (i) to redeem the Refunded 2011 Bonds on August 1, 2021 (the “2011 Redemption Date”) at a redemption price equal to 100% of the principal amount of the Refunded 2011 Bonds, together with interested accreted or accrued, as applicable, thereon as of the 2011 Redemption Date, without premium, and (ii) to redeem the Refunded 2013 Bonds on August 1, 2023 (the “2013 Redemption Date”) at a redemption price equal to 100% of the principal amount of the Refunded 2013 Bonds on the 2013 Redemption Date at a redemption price equal to the principal amount of the Refunded 2013 Bonds called for redemption, together with interested accreted or accrued, as applicable, thereon as of the 2013 Redemption Date, without premium. See “ESCROW VERIFICATION” herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Refunding Bonds.

Estimated Sources and Uses of Funds

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

**PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Refunding Bonds, Series 2020 (Federally Taxable)**

Estimated Sources and Uses of Funds

Sources of Funds:

Aggregate Initial Principal Amount of Refunding Bonds	\$66,756,012.30
Total Sources of Funds	<u>\$66,756,012.30</u>

Uses of Funds:

Escrow Fund	\$65,872,975.52
Costs of Issuance ⁽¹⁾	482,500.71
Underwriter’s Discount	400,536.07
Total Uses of Funds	<u>\$66,756,012.30</u>

⁽¹⁾ Includes legal fees, municipal advisor fees, rating agency fees, bond insurance premium, printing fees, verification agent fees and other miscellaneous expenses.

Debt Service

Debt service on the Refunding Bonds, assuming no early redemptions, is as set forth in the following table.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Refunding Bonds, Series 2020 (Federally Taxable)

Period Ending August 1,	Current Interest Bonds		Capital Appreciation Bonds		Total Debt Service
	Principal	Interest	Principal	Interest Paid at Maturity	
2021	-	\$912,568	-	-	\$ 912,568
2022	-	1,422,183	-	-	1,422,183
2023	-	1,422,183	-	-	1,422,183
2024	-	1,422,183	-	-	1,422,183
2025	-	1,422,183	-	-	1,422,183
2026	-	1,422,183	-	-	1,422,183
2027	-	1,422,183	-	-	1,422,183
2028	-	1,422,183	-	-	1,422,183
2029	\$ 1,000,000	1,422,183	-	-	2,422,183
2030	1,000,000	1,402,363	-	-	2,402,363
2031	1,000,000	1,381,543	-	-	2,381,543
2032	1,000,000	1,359,123	-	-	2,359,123
2033	-	1,335,303	\$ 917,831.85	\$ 545,130.30	2,798,265
2034	-	1,335,303	1,057,958.85	691,708.35	3,084,970
2035	-	1,335,303	1,118,680.55	800,911.95	3,254,896
2036	-	1,335,303	1,099,996.95	858,444.60	3,293,745
2037	-	1,335,303	1,109,338.75	939,930.00	3,384,572
2038	-	1,335,303	1,240,123.95	1,136,791.35	3,712,219
2039	-	1,335,303	1,382,586.40	1,366,928.00	4,084,818
2040	-	1,335,303	1,529,719.75	1,626,692.50	4,491,715
2041	-	1,335,303	1,592,776.90	1,817,223.10	4,745,303
2042	-	1,335,303	1,527,430.10	1,953,061.10	4,815,794
2043	-	1,335,303	1,414,959.00	1,934,322.00	4,684,584
2044	-	1,335,303	1,304,301.95	1,902,797.55	4,542,403
2045	-	1,335,303	1,525,616.05	2,371,199.50	5,232,119
2046	-	1,335,303	3,477,533.85	5,749,466.40	10,562,303
2047	5,000,000	1,335,303	1,647,157.40	2,892,842.60	10,875,303
2048	9,920,000	1,171,703		-	11,091,703
2049	10,360,000	847,121		-	11,207,121
2050	11,030,000	508,142		-	11,538,142
2051	4,500,000	147,240		-	4,647,240
Total:	<u>\$44,810,000</u>	<u>\$39,136,816</u>	<u>\$21,946,012</u>	<u>\$26,587,449</u>	<u>\$132,480,278</u>

Source: The Underwriter.

Outstanding Bonds

In addition to the Refunding Bonds (and not accounting for the planned refunding of the Refunded Bonds with proceeds of the Refunding Bonds), the District has eight series of general obligation bonds outstanding, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Refunding Bonds.

1998 Authorization. The District received authorization at an election held on April 14, 1998, to issue bonds of the District in an aggregate principal amount not to exceed \$35,000,000 for the purpose of raising money to finance the costs of building schools, providing air conditioning for existing schools, repairing and replacing plumbing, wiring and security systems, providing permanent classrooms for class-size reduction, and providing computer, science and technology laboratories at schools throughout the District (the “1998 Authorization”).

On August 27, 1998, the District issued \$29,999,255.65 aggregate initial principal amount of its General Obligation Bonds, Election of 1998, Series A (the “1998 Series A Bonds”), as its first series of bonds to be issued under the 1998 Authorization. On October 17, 2001, the District issued \$5,000,720.25 aggregate initial principal amount of its General Obligation Bonds, Election of 1998, Series B (the “1998 Series B Bonds”), as its second and final series of bonds to be issued under the 1998 Authorization. On March 10, 2004, the District issued \$26,745,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2005 (the “Series 2005 Refunding Bonds”) to advance refund a portion of the District’s outstanding current interest 1998 Series A Bonds.

2006 Authorization. The District received authorization at an election held on November 7, 2006, to issue bonds of the District in an aggregate principal amount not to exceed \$100,000,000 for the purpose of building and renovating classrooms, including preschools, upgrading middle and high school science labs, building new classrooms for fine and performing arts education, replacing fire alarm and safety communications systems, improving computer technology, expanding school libraries, repairing and upgrading outdated gymnasiums and athletic fields (the “2006 Authorization”).

On August 28, 2007, the County, on behalf of the District, issued \$32,000,000 aggregate principal amount of Paramount Unified School District General Obligation Bonds, Election of 2006, Series 2007 (the “Series 2007 Bonds”) as its first series of bonds to be issued under the 2006 Authorization. On September 9, 2010, in anticipation of the sale of additional general obligation bonds of the District under the 2006 Authorization, the District issued \$34,000,000 aggregate principal amount of its General Obligation Bond Anticipation Notes, 2006 Election, Series A (the “Series A Notes”), and \$30,000,000 aggregate principal amount of its General Obligation Bond Anticipation Notes, 2006 Election, Series B (the “Series B Notes”). On November 29, 2011, the County, on behalf of the District, issued \$34,044,316.05 aggregate initial principal amount of its General Obligation Bonds, Election of 2006, Series 2011 (the “Series 2011 Bonds”) as its second series of bonds to be issued under the 2006 Authorization. Certain proceeds of the Series 2011 Bonds were applied to the payment of the Series A Notes, which matured on December 1, 2011. On December 19, 2013, the District issued \$33,953,514.65 aggregate initial principal amount of its General Obligation Bonds, Election of 2006, Series 2013 (the “Series 2013 Bonds”) as its third and final series of bonds to be issued under the 2006 Authorization. Certain proceeds of the Series 2013 Bonds were applied to the payment of the Series B Notes, which matured on September 1, 2014.

On June 23, 2015, the District issued \$37,310,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) to (i) refund on a current basis, a portion of the Series 2005 Refunding Bonds and (ii) refund on an advance basis a portion of the Series 2007 Bonds.

2016 Authorization. The District received authorization at an election held on November 8, 2016, to issue bonds of the District in an aggregate principal amount not to exceed \$106,000,000 for the purpose of repairing/upgrading schools for college/careers; upgrading classrooms/labs for job training/college preparation; improving school security/technology, electrical wiring, air conditioning, emergency alarms, earthquake safety, disabled access, aging gymnasiums/athletic fields and tracks; repairing deteriorating roofs, water pipes; removing lead paint/asbestos (collectively, the “2016 Authorization”).

On July 12, 2017, the District issued \$25,670,000 aggregate principal amount of its General Obligation Bonds, Election of 2016, Series 2017A (the “Series 2017A Bonds”) as the first series of authorized bonds to be issued under the 2016 Authorization and were issued to finance authorized projects. On April 18, 2019, the District issued \$30,496,088.80 aggregate initial principal amount of its General Obligation Bonds, Election of 2016, Series 2019B (the “Series 2019B Bonds”) as the second series of authorized bonds to be issued under the 2016 Authorization. Currently the District has \$49,833,911.20 principal amount remaining to be issued under the 2016 Authorization.

On or about December 9, 2020, the District expects to issue its third and final series of authorized bonds (the “Series 2020C Bonds”) under the 2016 Authorization in an aggregate principal amount of approximately \$49,830,000.

A summary of the District’s general obligation bonded debt is set forth on the following page.

Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding general obligation bonds of the District, assuming no early redemptions other than mandatory sinking fund payments.

PARAMOUNT UNIFIED SCHOOL DISTRICT (Los Angeles County, California) General Obligation Bonds – Aggregate Debt Service

Period Ending August 1,	1998 Series A Bonds ⁽¹⁾	1998 Series B Bonds ⁽¹⁾	Series 2011 Bonds ⁽²⁾	Series 2013 Bonds ⁽³⁾	Series 2015 Refunding Bonds	Series 2017A Bonds	Series 2019B Bonds	Series 2020C Bonds ⁽⁴⁾	Refunding Bonds	Aggregate Total Debt Service ⁽⁴⁾
2021	\$ 3,695,000	-	\$ 795,000	\$1,083,975	\$ 1,977,338	\$ 953,381	\$ 2,792,650	\$ 4,430,894	\$ 912,568	\$ 16,640,806
2022	3,865,000	-	905,000	-	2,077,588	984,581	773,250	2,041,450	1,422,183	12,069,052
2023	-	\$ 4,385,000	1,075,934	-	2,185,338	1,014,381	797,450	1,906,450	1,422,183	12,786,736
2024	-	4,555,000	1,481,869	-	2,279,838	1,046,131	825,650	1,846,050	1,422,183	13,456,721
2025	-	4,735,000	1,561,869	-	2,381,338	1,075,881	857,650	1,892,450	1,422,183	13,926,371
2026	-	4,920,000	1,721,869	-	2,489,088	1,108,631	882,150	1,961,450	1,422,183	14,505,371
2027	-	-	1,816,869	-	2,601,038	1,139,131	1,365,150	1,592,050	1,422,183	9,936,421
2028	-	-	1,826,869	-	2,713,850	1,177,381	1,408,650	1,656,650	1,422,183	10,205,583
2029	-	-	1,921,869	-	2,831,138	1,212,881	1,463,400	1,713,450	2,422,183	11,564,921
2030	-	-	2,126,869	-	2,942,313	1,040,631	1,596,600	1,902,650	2,402,363	12,011,426
2031	-	-	2,436,869	-	3,057,513	1,070,881	1,658,200	1,973,850	2,381,543	12,578,856
2032	-	-	2,671,869	-	3,169,563	1,105,681	1,725,800	2,056,450	2,359,123	13,088,486
2033	-	-	5,091,869	-	-	1,139,131	1,789,000	2,154,850	2,798,265	12,973,115
2034	-	-	5,206,869	-	-	1,170,694	1,864,000	2,253,250	3,084,970	13,579,783
2035	-	-	5,441,869	-	-	1,210,850	1,934,000	2,356,450	3,254,896	14,198,064
2036	-	-	5,806,869	-	-	1,243,625	2,009,000	2,469,050	3,293,745	14,822,289
2037	-	-	6,326,869	-	-	1,284,775	2,089,000	2,575,450	3,384,572	15,660,666
2038	-	-	6,745,082	-	-	1,323,175	2,174,000	2,690,650	3,712,219	16,645,126
2039	-	-	7,040,422	-	-	1,363,675	2,259,000	2,814,050	4,084,818	17,561,964
2040	-	-	7,194,189	-	-	1,401,900	2,349,000	2,945,050	4,491,715	18,381,855
2041	-	-	7,510,000	-	-	1,442,850	2,444,000	3,073,050	4,745,303	19,215,203
2042	-	-	8,001,869	-	-	1,490,600	2,534,000	3,179,150	4,815,794	20,021,413
2043	-	-	8,691,869	-	-	2,263,363	2,154,000	3,080,150	4,684,584	20,873,965
2044	-	-	9,252,231	-	-	2,352,813	2,258,200	3,187,050	4,542,403	21,592,696
2045	-	-	8,302,569	-	-	2,447,550	2,375,600	3,288,700	5,232,119	21,646,538
2046	-	-	-	-	-	2,541,788	2,495,400	3,360,100	10,562,303	18,959,591
2047	-	-	-	-	-	-	2,617,200	4,227,000	10,875,303	17,719,503
2048	-	-	-	-	-	-	2,745,600	4,440,400	11,091,703	18,277,703
2049	-	-	-	-	-	-	-	4,659,050	11,207,121	15,866,171
2050	-	-	-	-	-	-	-	4,892,500	11,538,142	16,430,642
2051	-	-	-	-	-	-	-	-	4,647,240	4,647,240
Total	\$7,560,000	\$18,595,000	\$110,955,328	\$1,083,975	\$30,705,943	\$35,606,363	\$52,237,600	\$82,619,794	\$132,480,278	\$471,844,275

⁽¹⁾ The 1998 Series A Bonds and the 1998 Series B Bonds have a principal date of September 1 in each of the years indicated.

⁽²⁾ Reflects the planned refunding of the Refunded 2011 Bonds with proceeds of the Refunding Bonds.

⁽³⁾ Reflects the planned refunding of the Refunded 2013 Bonds with proceeds of the Refunding Bonds.

⁽⁴⁾ Reflects the planned issuance of the Series 2020C Bonds.

Source: Piper Sandler & Co.

SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Refunding Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the related Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Refunding Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Refunding Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Refunding Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the related Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the related series of Bonds. The Resolution provides that the property taxes and amounts held in each related Interest and Sinking Fund of the District shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the related Interest and Sinking Fund of the District to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the

pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. Both the county auditor-controller and the county treasurer-tax collector have accounting responsibilities related to the collecting of the property taxes. Once collected, the county auditor-controller apportions and distributes the taxes to the various taxing entities and related funds and accounts. The county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of bonds issued by school districts, and is charged with payment of principal and interest on the bonds when due, as *ex officio* treasurer of the school district.

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2020-21 assessed value of \$6,862,899,397. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See “*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell

that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed 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 property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2007-08 through 2020-21, each as of the date that the equalized assessment roll is established in August of each year.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Assessed Valuations
Fiscal Years 2007-08 through 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total
2007-08	\$4,349,581,008	\$ 1,376	\$226,166,828	\$4,575,749,212
2008-09	4,483,430,965	1,376	286,722,433	4,770,154,774
2009-10	4,205,669,546	1,376	286,571,624	4,492,242,546
2010-11	4,135,375,000	1,376	283,213,325	4,418,589,701
2011-12	4,240,189,253	810	269,398,554	4,509,588,617
2012-13	4,299,191,031	810	361,326,804	4,660,518,645
2013-14	4,437,330,286	810	374,619,400	4,811,950,496
2014-15	4,614,692,908	810	389,841,274	5,004,534,992
2015-16	4,854,492,120	810	339,608,023	5,194,100,953
2016-17	5,135,363,659	810	402,042,635	5,537,407,104
2017-18	5,313,475,428	2,929,178	401,046,807	5,717,451,413
2018-19	5,569,229,561	2,929,178	414,564,075	5,986,722,814
2019-20	6,071,709,289	2,929,178	384,795,054	6,459,433,521
2020-21	6,463,458,069	2,929,178	396,512,150	6,862,899,397

Source: California Municipal Statistics, Inc.

The District, in partnership with South Coast Air Quality Management District ("SCAQMD"), actively monitors the air quality at its school sites using testing devices provided by SCAQMD that indicate the amount of certain metals in the air, including chromium-6. During May 2017, reports indicated that there was one heightened daily chromium-6 count reading at one District school site, but the chromium-6 count dropped on subsequent daily readings at such school site. Air quality monitoring has been ongoing in order to determine if any further action needs to be taken to limit students' and District employees'

exposure. In January 2019, as required by law, a heat-treating company and two forging companies provided notice to the District of chromium-6 exposure near their plant sites in the City of Paramount. The chromium-6 count in the District has not reached levels that warrant further action. However, the District continues to work with SCAQMD to monitor air quality and chromium-6 count at its school sites.

Risk of Decline in Property Values. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, including potential market declines caused by the effects of a reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, landslide, liquefaction, levee failure, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also “*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including an earthquake, or a depressed real estate market due to general economic conditions in the County, the region, and the State. With the outbreak of COVID-19, the world is currently experiencing a global pandemic. The pandemic may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak.*”

Risk of Earthquake. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake. The District is located in a seismically active region. The notable earthquake faults include the San Andreas and over 100 smaller active faults throughout the County.

Risk of Drought. In recent years California has experienced severe drought conditions. In January 2014, the Governor declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the “State Water Board”) subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. It is not possible for the District to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

Risk of Wildfire. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. In recent years, portions of California, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor

immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs. Any base year appeal must be made within four years of the change of ownership or new construction date.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIII A of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. However, pursuant to Section 33050 et seq. of the Education Code, the governing board of a school district or a county board of education, on a districtwide or countywide basis or on behalf of one or more of its schools or programs, after a public hearing on the matter, may request the State Board of Education to waive all or part of any section of the Education Code or any regulation adopted by the State Board of Education that implements a provision of the Education Code that may be waived, except for certain specified provisions of the Education Code set forth in Education Code Section 33050(a). In the bond measure approving the 2016 Authorization, it was

recognized that the issuance of all of the authorized bonds might require the outstanding debt of the District to exceed its statutory bonding limit and, in order for the District to complete critical projects authorized by the 2016 Authorization in a timely and cost effective manner, the District Board obtained a waiver of its bonding limit from the State Board of Education, permitting the District to issue bonds under the 2016 Authorization in an amount up to 2.80% of the assessed valuation of taxable property of the District. The District issued its Series 2017A Bonds and Series 2019B Bonds under such waiver. In order for the District to issue all of the remaining authorized bonds and to complete critical projects authorized by the 2016 Authorization in a timely and cost effective manner, the District Board obtained a waiver of its bonding limit from the State Board of Education, permitting the District to issue bonds under the 2016 Authorization in an amount up to 3.00% of the assessed valuation of taxable property of the District. With the effect of the waiver, the District's fiscal year 2020-21 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$205.89 million and its net bonding capacity is approximately \$63.39 million (taking into account current outstanding debt before issuance of the Refunding Bonds and not taking into account the expected issuance of the Series 2020C Bonds or the refunding of the Refunded Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries that reside in the cities of Bellflower, Compton, Lakewood, Long Beach, Paramount and South Gate and unincorporated portions of the County for fiscal year 2020-21.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Fiscal Year 2020-21 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Bellflower	\$ 521,766,635	7.60%	\$ 6,054,027,600	8.62%
City of Compton	1,886,007	0.03	7,516,343,763	0.03
City of Lakewood	648,297,329	9.45	10,618,540,771	6.11
City of Long Beach	642,700,645	9.36	64,588,432,740	1.00
City of Paramount	4,540,871,912	66.17	4,626,441,163	98.15
City of South Gate	507,376,847	7.39	6,604,411,493	7.68
Unincorporated Los Angeles County	22	0.00	117,499,724,109	0.00
Total District	\$6,862,899,397	100.00%		
Los Angeles County	\$6,862,899,397	100.00%	\$1,708,923,809,032	0.40%

Source: California Municipal Statistics Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2020-21 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Fiscal Year 2020-21 Assessed Valuation and Parcels by Land Use**

Type of Property	2020-21 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Commercial	\$ 781,259,724	12.09%	610	4.53%
Vacant Commercial	7,775,243	0.12	58	0.43
Industrial	1,370,647,777	21.21	699	5.19
Vacant Industrial	26,322,548	0.41	90	0.67
Recreational	16,321,611	0.25	11	0.08
Government/Social/Institutional	92,917,350	1.44	71	0.53
Miscellaneous	6,472,890	0.10	230	1.71
Subtotal Non-Residential	\$2,301,717,143	35.61%	1,769	13.14%
<u>Residential:</u>				
Single Family Residence	\$2,227,295,806	34.46%	7,340	54.51%
Condominium/Townhouse	533,726,779	8.26	2,238	16.62
Mobile Home Park	67,961,101	1.05	71	0.53
2-4 Residential Units	559,231,587	8.65	1,467	10.89
5 + Residential Units/Apartments	758,074,645	11.73	380	2.82
Vacant Residential	15,451,008	0.24	201	1.49
Subtotal Residential	\$4,161,740,926	64.39%	11,697	86.86%
TOTAL	\$6,463,458,069	100.00%	13,466	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2020-21, including the average and median per parcel assessed value.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Fiscal Year 2020-21 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	7,340	\$2,227,295,806	\$303,446	\$282,546

2020-21 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	31	0.422%	0.422%	\$ 396,896	0.018%	0.018%
\$25,000 - \$49,999	133	1.812	2.234	5,470,226	0.246	0.263
\$50,000 - \$74,999	373	5.082	7.316	23,718,695	1.065	1.328
\$75,000 - \$99,999	241	3.283	10.599	20,873,905	0.937	2.266
\$100,000 - \$124,999	204	2.779	13.379	22,935,247	1.030	3.295
\$125,000 - \$149,999	257	3.501	16.880	35,333,856	1.586	4.882
\$150,000 - \$174,999	335	4.564	21.444	54,780,303	2.459	7.341
\$175,000 - \$199,999	354	4.823	26.267	66,280,884	2.976	10.317
\$200,000 - \$224,999	476	6.485	32.752	101,133,239	4.541	14.858
\$225,000 - \$249,999	560	7.629	40.381	132,986,199	5.971	20.828
\$250,000 - \$274,999	532	7.248	47.629	139,256,446	6.252	27.081
\$275,000 - \$299,999	494	6.730	54.360	141,629,899	6.359	33.439
\$300,000 - \$324,999	422	5.749	60.109	131,770,350	5.916	39.356
\$325,000 - \$349,999	320	4.360	64.469	108,191,757	4.858	44.213
\$350,000 - \$374,999	332	4.523	68.992	120,236,078	5.398	49.611
\$375,000 - \$399,999	296	4.033	73.025	114,700,878	5.150	54.761
\$400,000 - \$424,999	274	3.733	76.757	113,082,173	5.077	59.838
\$425,000 - \$449,999	265	3.610	80.368	116,030,350	5.209	65.048
\$450,000 - \$474,999	253	3.447	83.815	116,911,334	5.249	70.297
\$475,000 - \$499,999	273	3.719	87.534	132,803,315	5.963	76.259
\$500,000 and greater	915	12.466	100.000	528,773,776	23.741	100.000
Total	7,340	100.000%		\$2,227,295,806	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2020-21 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

**PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Largest Fiscal Year 2020-21 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	Percent of Total ⁽¹⁾
1.	Weber Metals Inc.	Industrial	\$ 256,123,901	3.96%
2.	Enclave Pacific Owner LLC	Apartments	98,835,000	1.53
3.	Altair Paramount LLC	Oil & Gas/Refinery	94,497,682	1.46
4.	Paramount Logistics LLC	Industrial	93,911,421	1.45
5.	Avanath Seaport LLC	Apartments	60,228,899	0.93
6.	Lakewood Regional Medical Center	Hospital	57,932,231	0.90
7.	Lyons Downey South Gate	Industrial	45,058,348	0.70
8.	CMIF III Fountain View LLC	Apartments	37,228,980	0.58
9.	Liberty Property Limited	Industrial	33,787,500	0.52
10.	Wal Mart Real Estate Business Trust	Commercial	31,418,520	0.49
11.	South and Downey LLC, Lessor	Commercial	30,693,592	0.47
12.	Carlton Forge Works	Industrial	26,561,763	0.41
13.	Modern Development Co.	Movie Theater	25,861,432	0.40
14.	Martin A. Gaspere	Shopping Center	23,209,875	0.36
15.	Los Altos VII, X LP	Shopping Center	23,149,069	0.36
16.	ROIC Paramount Plaza LLC	Shopping Center	22,122,454	0.34
17.	7540 Rosecrans LLC	Industrial	21,500,000	0.33
18.	Paramount General Hospital Co.	Hospital	20,991,055	0.32
19.	TA Chen International Inc.	Commercial	20,921,222	0.32
20.	Jayone Property LLC	Industrial	19,902,852	0.31
			<u>\$1,043,935,796</u>	<u>16.15%</u>

⁽¹⁾ 2020-21 Local Secured Assessed Valuation: \$6,463,458,069
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Refunding Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Refunding Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational,

hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Refunding Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical tax rate area of the District (TRA 7273). The assessed valuation for this tax rate area for fiscal year 2020-21 is \$1,164,651,484, which comprises approximately 16.97% of the total assessed value of the District.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 7273)
Fiscal Years 2016-17 through 2020-21

	2016-17	2017-18	2018-19	2019-20	2020-21
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Compton Community College District	0.021936	0.022806	0.045071	0.046868	0.026045
Paramount Unified School District Bond	0.106770	0.174090	0.167564	0.220920	0.151392
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500
Total	1.132206%	1.200396%	1.216135%	1.271288%	1.180937%

Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Refunding Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed. As a result of the recent outbreak of COVID-19, property owners within the County affected by COVID-19 may submit a request to have late penalties cancelled if they were unable to pay their property taxes by the payment deadline as a result of hardships caused by COVID-19. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*.” The District cannot predict the extent of delinquencies and delayed tax collections or the resulting impact on the District's financial condition or operations. Since the County has not adopted the Teeter Plan (defined herein), the District's receipt of property taxes is therefore subject

to delinquencies. For more information on the impact of the COVID-19 pandemic on the District's operations and finances, see APPENDIX A – "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*."

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression can be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping or pandemic. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. Since the County has not adopted the Teeter Plan (defined herein), the District's receipt of property taxes is therefore subject to delinquencies. If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies. For more information on the impact of the COVID-19 pandemic on the District's operations and finances, see APPENDIX A – "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*."

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.

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The following table sets forth real property tax charges and corresponding delinquencies for the 1% general fund apportionment, with respect to the property located in the County, and for the District's general obligation bond debt service levy, with respect to the property located in the District, for fiscal years 2015-16 through 2019-20.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2015-16 through 2019-20

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	Percentage Delinquent June 30
2015-16	\$10,598,257.95	\$150,466.19	1.42%
2016-17	11,262,489.85	133,951.64	1.19
2017-18	11,711,552.81	145,683.10	1.24
2018-19	12,242,216.91	167,442.70	1.37
2019-20	13,254,710.95	299,312.94	2.26

Fiscal Year	Secured Tax Charge ⁽²⁾	Amount Delinquent June 30	Percentage Delinquent June 30
2015-16	\$ 2,565,340.59	\$ 27,617.50	1.08%
2016-17	5,415,823.30	92,681.87	1.71
2017-18	9,244,159.66	85,634.45	0.93
2018-19	9,502,528.44	94,950.90	1.00
2019-20	13,575,726.18	348,594.93	2.57

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects county-wide delinquency rate.

⁽²⁾ Bond debt service levy.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective October 27, 2020 for debt outstanding as of November 1, 2020. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth 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 set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Statement of Direct and Overlapping Bonded Debt

October 27, 2020

2020-21 Assessed Valuation: \$6,862,899,397

	<u>% Applicable</u>	<u>Debt 11/1/20</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Metropolitan Water District	0.210%	\$ 67,683
Compton Community College District	28.385	30,750,594
Long Beach Community College District	0.012	60,777
Paramount Unified School District	100.000	142,907,012 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$173,786,066</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.402%	\$ 9,253,910
Los Angeles County Superintendent of Schools Certificates of Participation	0.402	18,353
Los Angeles County Sanitation District No. 2 Authority	8.061	202,170
Los Angeles County Sanitation District No. 3 Authority	1.909	36,379
Paramount Unified School District Certificates of Participation	100.000	22,360,000
City of Bellflower Certificates of Participation	8.619	1,282,938
City of Compton Certificates of Participation	0.025	8,306
City of Long Beach General Fund Obligations	0.995	992,861
City of Long Beach Pension Obligation Bonds	0.995	67,312
City of South Gate Certificates of Participation	7.682	483,966
City of South Gate Pension Obligation Bonds	7.682	983,296
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 35,689,491</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		<u>\$ 27,795,176</u>
COMBINED TOTAL DEBT		<u>\$237,270,733⁽²⁾</u>

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$142,907,012).....	2.08%
Total Direct and Overlapping Tax and Assessment Debt.....	2.53%
Combined Direct Debt (\$165,267,012)	2.41%
Combined Total Debt.....	3.46%

Ratios to Redevelopment Incremental Valuation (\$2,590,437,073):

Total Overlapping Tax Increment Debt.....	1.07%
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⁽¹⁾ Excludes the Refunding Bonds and the Series 2020C Bonds; includes the Refunded Bonds.

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

Source: California Municipal Statistics, Inc.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Refunding Bonds, BAM will issue its Policy for the Refunding Bonds. The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Refunding Bonds when due as set forth in the form of the Policy included as Appendix I 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.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: **www.buildamerica.com**.

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**. 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 Refunding 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 Refunding Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Refunding 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 Refunding Bonds, nor does it guarantee that the rating on the Refunding Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$505.3 million, \$158.1 million and \$347.2 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, 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 Refunding Bonds or the advisability of investing in the Refunding 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 "BOND INSURANCE."

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 www.buildamerica.com/videos. (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 www.buildamerica.com/credit-profiles. 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 or the underwriter for the Refunding 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 Refunding Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Refunding Bonds, whether at the initial offering or otherwise.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Refunding Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Refunding Bonds that acquire their Refunding Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Refunding Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Refunding Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Refunding Bonds pursuant to this offering for the issue price that is applicable to such Refunding Bonds (i.e., the price at which a substantial amount of the Refunding Bonds are sold to the public) and who will hold their Refunding Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Refunding Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Refunding Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Refunding Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Refunding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Refunding Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Refunding Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Refunding Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Current Interest Bonds is less than the amount to be paid at maturity of such Current Interest Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Current Interest Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). Additionally, because interest on the Capital Appreciation Bonds is not unconditionally payable in cash or property at least annually, all interest on the Capital Appreciation Bonds will be treated as OID. U.S. Holders of Taxable Bonds issued with OID will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Refunding Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Refunding Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Refunding Bond.

Sale or Other Taxable Disposition of the Refunding Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Refunding Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Refunding Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Refunding Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Refunding Bond (generally, the purchase price paid by the U.S. Holder for the Refunding Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Refunding Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Refunding Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Refunding Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Refunding Bonds. If the District defeases any Refunding Bond, the Refunding Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted U.S. federal income tax basis in the Refunding Bond.

Information Reporting and Backup Withholding. Payments on the Refunding Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the

Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Refunding Bonds may be subject to backup withholding at the current rate of 24% with respect to “reportable payments,” which include interest paid on the Refunding Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Refunding Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act (“FATCA”) – U.S. Holders and Non-U.S. Holders,” payments of principal of, and interest on, any Refunding Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Refunding Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Refunding Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Refunding Bonds. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act (“FATCA”) – U.S. Holders and Non-U.S. Holders,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Refunding Bond) or other disposition of a Refunding Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading Foreign Account Tax Compliance Act (“FATCA”) – U.S. Holders and Non-U.S. Holders,” under current U.S. Treasury Regulations, payments of principal and interest on any Refunding Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Refunding Bond or a financial institution holding the Refunding Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Refunding Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Refunding Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Refunding Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain restrictions on employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”) regarding prohibited transactions, and also imposes certain obligations on those persons who are fiduciaries with respect to ERISA Plans. Section 4975 of the Code imposes similar prohibited transaction restrictions on certain plans, including (i) tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code and which are not governmental or church plans as defined herein (“Qualified Retirement Plans”), and (ii) individual retirement accounts (“IRAs”) described in Section 408(b) of the Code (the foregoing in clauses (i) and (ii), “Tax-Favored Plans”). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements or Section 4975 of the Code, but may be subject to requirements or prohibitions under applicable federal, state, local, non-U.S. or other laws or regulations that are, to a material extent, similar to the requirements of ERISA and Section 4975 of the Code (“Similar Law”).

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, ERISA Plans are subject to prohibited transaction restrictions imposed by Section 406 of ERISA. ERISA Plans and Tax-Favored Plans are also subject to prohibited transaction restrictions imposed by Section 4975 of the Code. These rules generally prohibit a broad range of transactions between (i) ERISA Plans, Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and (ii) persons who have certain specified relationships to the Benefit Plans (such persons are referred to as “Parties in Interest” or “Disqualified Persons”), in each case unless a statutory, regulatory or

administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by those definitions, they include most notably: (1) a fiduciary with respect to a Benefit Plan; (2) a person providing services to a Benefit Plan; (3) an employer or employee organization any of whose employees or members are covered by a Benefit Plan; and (4) an owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a non-exempt prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory, regulatory or administrative exemption is available. Without an exemption, an owner of an IRA may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Refunding Bonds might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the District were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the “Plan Assets Regulation”), the assets of the District would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code if the Benefit Plan acquires an “equity interest” in the District and none of the exceptions contained in the Plan Assets Regulation are applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Although there can be no assurances in this regard, it appears that the Refunding Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation and accordingly the assets of the District should not be treated as the assets of Benefit Plans investing in the Refunding Bonds. The debt treatment of the Refunding Bonds for ERISA purposes could change subsequent to issuance of the Refunding Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the Refunding Bonds or a characterization of the Refunding Bonds as other than indebtedness under applicable local law, the subsequent purchase of the Refunding Bonds or any interest therein by a Benefit Plan is prohibited.

However, without regard to whether the Refunding Bonds are treated as an equity interest for such purposes, the acquisition or holding of Refunding Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the District or the Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. The fiduciary of a Benefit Plan that proposes to purchase and hold any Refunding Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest or a Disqualified Person, (ii) the sale or exchange of any property between a Benefit Plan and a Party in Interest or a Disqualified Person, or (iii) the transfer to, or use by or for the benefit of, a Party in Interest or a Disqualified Person, of any Benefit Plan assets.

Certain status-based exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Refunding Bond. These are commonly referred to as prohibited transaction class exemptions or “PTCEs”. Included among these exemptions are:

PTCE 75-1, which exempts certain transactions between a Benefit Plan and certain brokers-dealers, reporting dealers and banks;

PTCE 96-23, which exempts transactions effected at the sole discretion of an “in-house asset manager”;

PTCE 90-1, which exempts certain investments by an insurance company pooled separate account;

PTCE 95-60, which exempts certain investments effected on behalf of an “insurance company general account”;

PTCE 91-38, which exempts certain investments by bank collective investment funds; and

PTCE 84-14, which exempts certain transactions effected at the sole discretion of a “qualified professional asset manager.”

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code, commonly referred to as the “Service Provider Exemption”. The Service Provider Exemption covers transactions involving “adequate consideration” between Benefit Plans and persons who are Parties in Interest or Disqualified Persons solely by reason of providing services to such Benefit Plans or who are persons affiliated with such service providers, provided generally that such persons are not fiduciaries with respect to “plan assets” of any Benefit Plan involved in the transaction and that certain other conditions are satisfied.

The availability of each of these PTCEs and/or the Service Provider Exemption is subject to a number of important conditions which the Benefit Plan’s fiduciary must consider in determining whether such exemptions apply. There can be no assurance that all the conditions of any such exemptions will be satisfied at the time that the Refunding Bonds are acquired by a purchaser, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change, or that the scope of relief provided by these exemptions will necessarily cover all acts that might be construed as prohibited transactions. Therefore, a Benefit Plan fiduciary considering an investment in the Refunding Bond should consult with its counsel prior to making such purchase.

By its acceptance of a Refunding Bond (or an interest therein), each purchaser and transferee (and if the purchaser or transferee is a Benefit Plan, its fiduciary) will be deemed to have represented and warranted that either (i) no “plan assets” of any Benefit Plan or a plan subject to Similar Law have been used to purchase such Refunding Bond or (ii) the purchase and holding of such Refunding Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory, regulatory or administrative exemption and will not violate Similar Law. A purchaser or transferee who acquires Refunding Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

None of the District, the Paying Agent, or the Underwriter is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the acquisition or transfer of the Refunding Bonds by any Benefit Plan.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that any Benefit Plan fiduciary or other person considering whether to purchase Refunding Bonds on behalf of a Benefit Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any exemption. In addition, persons responsible for considering the purchase of Refunding Bonds by a governmental plan, non-electing church plan or non-U.S. plan should consult with their counsel regarding the applicability of any Similar Law to such an investment.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Refunding Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Refunding Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District and for the District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation, as counsel to the District. Certain legal matters will be passed upon for the Underwriter by James F. Anderson Law Firm, a Professional Corporation, as counsel to the Underwriter.

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Refunding Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for fiscal year 2019-20 (which is due no later than April 1, 2021) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

In the preceding five years, in connection with certain of the District’s continuing disclosure undertakings, the District did not link certain CUSIP numbers related to its budgets and audited financial statements in 2015-16 and 2016-17. The District has since corrected the linkage to the CUSIPs.

California Financial Services currently serves as the District’s dissemination agent in connection with its prior undertakings and has been engaged by the District as its dissemination agent for its undertakings relating to the Refunding Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Refunding Bonds or the District’s ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District’s ability to issue and retire the Refunding Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Refunding Bonds or District officials who will sign certifications relating to

the Refunding Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter (defined herein) at the time of the original delivery of the Refunding Bonds.

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

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter (defined herein) relating to the computation of projected receipts of principal and interest on the Defeasance Securities, and the projected payments of principal, redemption premium, if any, and interest to retire the Refunded Bonds will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter (defined herein). The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Ratings

Moody's Investors Service, Inc. is expected to assign its underlying rating of "Aa3" to the Refunding Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Refunding Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds. Neither the Underwriter nor the District have undertaken any responsibility after the offering of the Refunding Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

In addition, S&P is expected to assign its rating of "AA/Stable" to the Refunding Bonds with the understanding that, upon delivery of the Refunding Bonds, the Policy will be delivered by BAM. See "BOND INSURANCE." Such rating is expected to be assigned solely as a result of the issuance of the Policy and will reflect only the rating agency's view of the claims-paying ability and financial strength of BAM. Neither the District nor the Underwriter have made any independent investigation of the claims-paying ability of BAM and no representation is made that any insured rating of the Refunding Bonds based upon the purchase of the Policy will remain higher than the rating agency's underlying rating of the Refunding Bonds described above, which did not take bond insurance into account. The existence of the Policy will not, of itself, negatively affect such underlying ratings. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal or accreted value and interest on the Refunding Bonds and the claims paying ability of BAM, particularly over the life of the investment. Without regard to any bond insurance, the Refunding Bonds are payable from the proceeds of an *ad valorem* tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal or maturity value of and interest on the Refunding

Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS.” However, any downward revision or withdrawal of any rating of BAM may have an adverse effect on the market price or marketability of the Refunding Bonds.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel with respect to the Refunding Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Refunding Bonds. From time to time, Orrick, Herrington & Sutcliffe LLP represents the Underwriter on matters unrelated to the Refunding Bonds. California Financial Services is acting as the District’s Municipal Advisor and Program Funding Manager with respect to the Refunding Bonds. Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation is acting as counsel to the District with respect to the Refunding Bonds. Payment of the fees and expenses of the Municipal Advisor and District counsel is also contingent upon the sale and delivery of the Refunding Bonds. James F. Anderson Law Firm, A Professional Corporation, is acting as Underwriter’s counsel with respect to the Refunding Bonds.

Underwriting

The Refunding Bonds are being purchased for reoffering to the public by Piper Sandler & Co. (the “Underwriter”), pursuant to the terms of a bond purchase agreement executed on November 18, 2020 (the “Purchase Agreement”), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Refunding Bonds at a price of \$66,355,476.23 (which represents the aggregate initial principal amount of the Refunding Bonds, and less Underwriter’s discount in the amount of \$400,536.07). The Purchase Agreement provides that the Underwriter will purchase all of the Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

Underwriter Disclosure. The Underwriter has provided the following information for inclusion in this Official Statement:

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

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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

The District has duly authorized the delivery of this Official Statement.

**PARAMOUNT UNIFIED SCHOOL
DISTRICT**

By: /s/ Dr. Ruth Pérez
Superintendent

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Paramount Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal (or, in the case of Capital Appreciation Bonds, accreted value) of or interest on the Refunding Bonds are payable from the general fund of the District or from State revenues. The Refunding Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Los Angeles on property within the District in an amount sufficient for the timely payment of principal (or, in the case of Capital Appreciation Bonds, accreted value), of and interest on the Refunding Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was established in 1953 and covers approximately 6.7 square miles, which includes the City of Paramount and portions of the Cities of Long Beach, Lakewood, South Gate, Compton and Bellflower in the County of Los Angeles (the "County"). The District currently operates eleven elementary schools, one K-8 school, four middle schools, three high schools, and one alternative education center. The District's average daily attendance for fiscal year 2019-20 was approximately 14,336 and budgeted average daily attendance for fiscal year 2020-21 is approximately 13,846. The District has a 2020-21 assessed valuation of \$6,862,899,397.

Board of Education

The District is governed by a Board of Education (the "District Board") consisting of five voting members elected in alternate slates of two and three by voters within the District to serve four-year terms. Elections are held every two years. Each December the District elects a President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below.

PARAMOUNT UNIFIED SCHOOL DISTRICT (Los Angeles County, California)

Board of Education

Name	Office	Term Expires
Vivian Hansen	President	November 2020
Yesenia Cuarenta	Vice-President/Clerk	November 2022
Sonia De Leon	Member	November 2022
Linda Garcia	Member	November 2020
Carmen Gomez	Member	November 2022

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the District Board and reports to the District Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. The Assistant Superintendent, Business Services reports directly to the Superintendent. The Assistant Superintendent, Business Services is responsible for all non-instructional operations of the District.

Dr. Ruth Pérez, Superintendent. Dr. Pérez has served as the Superintendent of the District since December 9, 2015. Prior to taking on the role, Dr. Pérez served as deputy superintendent of instruction for the Los Angeles Unified School District. Dr. Pérez also previously served as the superintendent of the Norwalk-La Mirada Unified School District, as the chief academic officer for the Charlotte-Mecklenburg School District in North Carolina, and as the area superintendent for the Orange County Public School District in Florida. Dr. Pérez earned a bachelor's degree from Queen's University and a master's degree and a doctoral degree from Nova Southeastern University.

Ruben Frutos, Assistant Superintendent, Business Services. Mr. Frutos has over 26 years of school business experience and has served as the Assistant Superintendent of Business Services of the District. Prior to this, Mr. Frutos served as the Assistant Superintendent of Business Services for three unified school districts in southern California, and as the Deputy Superintendent for another unified district, managing the budget, finance, risk management, technology, food services, security, maintenance, transportation and facilities departments. Mr. Frutos also served as a Business Advisory Analyst for the Department of Education in San Diego County for six years, and served as a Personnel Systems Analyst for San Diego Unified School District. Mr. Frutos earned a bachelor's degree in Psychology with an emphasis in Statistics and a minor in Computer Engineering and a master's degree with an emphasis in Public Finance from San Diego State University.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "*Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "*Local Sources of Education Funding*"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has received approximately 77.02% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), at approximately \$156.38 million in fiscal year 2019-20 (unaudited). The District has budgeted to receive approximately 73.08% of its general fund revenues from the State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), budgeted at approximately \$133.47 million in fiscal year 2020-21. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "*Allocation of State Funding to School Districts; Local Control Funding Formula*," and "*Attendance and LCFF*" and "*Other District Revenues – Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts,

and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See “*Allocation of State Funding to School Districts; Local Control Funding Formula*” for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2020-21 State budget on June 29, 2020.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as “settle-up.” If the amount appropriated is higher than the guaranteed amount in any year, that higher funding

level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as “maintenance factor.”

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State’s response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers’ unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years’ Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State is doing in fiscal years 2019-20 and 2020-21 (see “ – 2020-21 *State Budget*” below for further information); by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution’s definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Refunding Bonds, and the District takes no responsibility for informing owners of the Refunding Bonds as to actions the State Legislature or Governor may take affecting the current year’s budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2020-21 State Budget. The Governor signed the fiscal year 2020-21 State Budget (the “2020-21 State Budget”) on June 29, 2020. According to the State, the economic impact of the COVID-19 pandemic has resulted in a \$54.3 billion budget deficit, which the State is addressing through the following measures:

- **Reserves.** The 2020-21 State Budget draws down \$8.8 billion in reserves, including \$7.8 billion from the Rainy Day Fund, \$450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account.

- Trigger. The 2020-21 State Budget includes \$11.1 billion in reductions and deferrals that will be restored if federal legislation providing for at least \$14 billion in federal funds is passed by the United States Congress and signed by the President, and such funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred spending on schools, approximately \$970 million in funding for the University of California and the California State University, \$2.8 billion for state employee compensation, \$150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional \$250 million for county programs to backfill revenue losses. If the federal government does not provide funds in fiscal year 2020-21, the deferrals provided in the 2020-21 State Budget may create a larger budget shortfall in subsequent fiscal years. A larger budget shortfall in subsequent years may result in continuing deferrals until the State is able to fully fund its current year education obligations in a single budget year.
- Federal Funds. The 2020-21 State Budget relies on \$10.1 billion in federal funds that provide general fund relief, including \$8.1 billion already received. This includes the enhanced Federal Medical Assistance Percentage, a portion of the State's allocation from the federal Coronavirus Relief Fund and funds provided for childcare programs.
- Revenues. The 2020-21 State Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in fiscal year 2020-21.
- Borrowing/Transfers/Deferrals. The 2020-21 State Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 school districts.
- Cancelled Expansions, Updated Assumptions and Other Solutions. The 2020-21 State Budget includes \$10.6 billion of other solutions for addressing the budget deficit, such as cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues, and lower health and human services caseload costs that previously estimated.

Because of such measures described above, the 2020-21 State Budget is a balanced budget for fiscal year 2020-21 that projects approximately \$137.7 billion in revenues, \$88.8 billion in non-Proposition 98 expenditures and \$45.1 billion in Proposition 98 expenditures. The 2020-21 State Budget sets aside \$2.6 billion in the Special Fund for Economic Uncertainties, and it includes total funding of \$98.8 billion (\$48.1 billion general fund and \$50.7 billion other funds) for all K-12 education programs. The 2020-21 State Budget estimates the Proposition 98 minimum guarantee at \$78.5 billion in fiscal year 2018-19, \$77.7 billion in fiscal year 2019-20, and \$70.9 billion in fiscal year 2020-21. The reduction in Proposition 98 funding will result in per pupil spending of \$10,654 in fiscal year 2020-21, a \$1,339 reduction from fiscal year 2019-20.

The 2020-21 State Budget offsets such reduction in Proposition 98 funding in several ways, including the following:

- Local Control Funding Formula Deferrals. As a result of the COVID-19 pandemic, \$1.9 billion in LCFF apportionments in fiscal year 2019-20 were deferred until fiscal year 2020-21, and the 2020-21 State Budget provides that apportionment deferrals in fiscal year 2020-21 will grow to \$11 billion. Such deferrals allow LCFF funding to remain at fiscal year 2019-20 levels in both fiscal years. The 2020-21 State Budget suspends the statutory LCFF cost-of-living adjustment in fiscal

year 2020-21. The 2020-21 State Budget provides that \$5.8 billion of deferrals will be triggered off in fiscal year 2020-21 if sufficient federal funding is provided that can be used for such purpose.

- Learning Loss Mitigation. Additionally, the 2020-21 State Budget includes a one-time investment of \$5.3 billion (comprised of \$4.4 billion from the federal Coronavirus Relief Fund, \$589.9 million in Proposition 98 general fund resources, and \$355.2 from the federal Governor's Emergency Education Relief Fund) to local education agencies to address learning loss resulting from school closures. To ensure that those local educational agencies serving students most affected by the COVID-19 pandemic receive additional funding, the 2020-21 State Budget will allocate \$2.9 billion of such funds based on the LCFF supplemental and concentration grant allocation, \$1.5 billion of such funds based on the number of students with exceptional needs, and \$979.8 million of such funds based on the total LCFF allocation.
- Supplemental Appropriations. In fiscal years 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately \$12.4 billion. To accelerate the recovery from such funding reduction, the 2020-21 State Budget provides supplemental appropriations above the required Proposition 98 funding level, beginning in fiscal year 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5% of general fund revenues, up to a total of \$12.4 billion.
- Revised CalPERS and CalSTRS Contributions. To provide immediate and long-term relief to school districts facing rising pension costs, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019-20 State Budget to California State Teachers' Retirement System ("CalSTRS") and the California Public Employees' Retirement System ("CalPERS") for long-term unfunded liabilities to instead reduce employer contribution rates in fiscal years 2020-21 and 2021-22. Such reallocation will reduce the CalSTRS employer contribution rate from 18.41% to approximately 16.15% in fiscal year 2020-21 and from 17.9% to 16.02% in fiscal year 2021-22. The CalPERS Schools Pool employer contribution rate will be reduced from 22.67% to 20.7% in fiscal year 2020-21 and from 24.6% to 22.84% in fiscal year 2021-22.
- Federal Funds. In addition to the federal Coronavirus Relief Fund and Governor's Emergency Education Relief Fund allocations described above, the 2020-21 State Budget includes \$1.6 billion in federal Secondary School Emergency Relief funds. Of this amount, \$1.5 billion will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive and may be used for costs relating to the COVID-19 pandemic. Of the remaining \$164.7 million, \$112.2 million will be used to provide up to \$0.75 per meal for local educational agencies participating in certain school meal programs and serving meals between March 2020 and August 2020 due to school closures, \$45 million will be used for grants to local educational agencies to increase access to health, mental health, and social service supports for high-need students, \$6 million will be used to provide educator professional development for providing high quality distance learning, and \$1.5 million will be used for State Department of Education costs associated with the COVID-19 pandemic.
- Temporary Revenue Increases. As described above, the 2020-21 State Budget includes a temporary three-year suspension of net operating losses, and a limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. These temporary changes, along with other tax changes, will generate additional general fund revenues, approximately \$1.6 billion of which will benefit the Proposition 98 guarantee.
- Special Education. The 2020-21 State Budget provides for increased special education base rates of \$625 per pupil pursuant to a new funding formula. The 2020-21 State Budget also includes \$100

million to increase funding for students with low-incidence disabilities, \$15 million in federal Individuals with Disabilities Education Act (“IDEA”) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, \$8.6 million in IDEA funds to assist local educational agencies to develop regional alternative dispute resolution services and statewide mediation services, and \$1.1 million in IDEA funds to study the current special education governance and accountability structure.

- Average Daily Attendance and Distance Learning. The 2020-21 State Budget assumes that local educational agencies will provide in-classroom instruction during the 2020-21 school year, but recognizes that public health officials may require school closures. To ensure funding stability regardless of instructional model, the 2020-21 State Budget includes a hold-harmless provision for the purpose of calculating apportionments in fiscal year 2020-21, and it provides that average daily attendance will be based on the 2019-20 school year. The 2020-21 State Budget also includes requirements for distance learning services in the event of school closures.
- Employee Protections. The 2020-21 State Budget suspends layoffs of non-management certificated staff during fiscal year 2020-21 and classified staff who hold positions in nutrition, transportation, or custodial services during fiscal year 2020-21. The 2020-21 State Budget includes \$60 million Proposition 98 general fund resources to provide a match of State funds for participating classified employees to be paid during the summer recess period. The 2020-21 State Budget also states that it is the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in fiscal year 2020-21.

The complete 2020-21 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or 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 beyond the District’s ability to predict or control, including but not limited to the COVID-19 pandemic. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund schools during fiscal years 2020-21 and 2021-22 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Refunding Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Refunding Bonds.

School District Reserves. As described above, the State is accessing its reserves to mitigate the budget shortfall in fiscal year 2020-21, including drawing down all of the funds in the Public School System Stabilization Account. See “- 2020-21 State Budget.” In order to mitigate some of the reductions in State revenue based on the 2020-21 State Budget, school districts may choose to access their local reserves. 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. At the time of the preparation of the District’s fiscal year 2020-21 budget, the District has approximately \$14.5 million in unrestricted and non-earmarked reserves, which is equal to approximately 7.08% of its general fund expenditures and other financing uses. District officials currently expect that the District will be able to meet the 3% reserve requirement in fiscal years 2020-21 through 2022-23. However, given the rapidly evolving nature of the COVID-19 pandemic and the uncertainty of additional federal funding and its impact

on the 2020-21 State Budget, the District's budget for fiscal year 2020-21 is subject to change throughout the current fiscal year as additional information becomes available. The District cannot predict the impact of COVID-19 on the District's finances for fiscal year 2020-21. For more information, see “– *District Budget Process and County Review – District's Fiscal Year 2020-21 Budget.*”

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (“ERAF”) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as “Proposition 22.”

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*”). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State “equalization aid.” To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit

was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some equalization aid were commonly referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is a LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant (“Base Grant”) per unit of average daily attendance (“A.D.A.”) with additional supplemental funding (the “Supplemental Grant”) allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below, but achieved full implementation ahead of schedule in fiscal year 2018-19. The LCFF includes the following components:

- A Base Grant for each local education agency (“LEA”). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2020-21, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$8,503 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,818 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$8,050 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$9,572 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. Further, this amount also includes a costs-of-living adjustment of 3.26% authorized by the 2019-20 State Budget. The 2020-21 State Budget suspends the statutory cost-of-living adjustment in fiscal year 2020-21. For more information, see “–2020-21 State Budget.”
- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 50% of a LEA’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas

identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Typically, each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

In response to the COVID-19 pandemic and the unique conditions under which many school districts are operating, Senate Bill 98, a budget trailer bill adopted in connection with the 2020-21 State Budget, revises certain annual LCAP requirements, removes the requirement for a traditional LCAP for the 2020-21 school year and replaces such requirement with what is referred to as a Learning Continuity and Attendance Plan (the "Learning Continuity and Attendance Plan"). The Learning Continuity and Attendance Plan seeks to address funding stability for schools while providing information at the LEA level describing how student learning continuity will be addressed during the COVID-19 pandemic in the 2020-21 school year. The Learning Continuity and Attendance Plan is intended to balance the needs of all stakeholders, including educators, parents, students, and community members, while streamlining meaningful stakeholder engagement. The Learning Continuity and Attendance Plan memorializes the planning process already underway for the 2020-21 school year, and includes plans for the following: (i) addressing gaps in learning; (ii) conducting meaningful stakeholder engagement; (iii) maintaining transparency; (iv) addressing the needs of unduplicated pupils, students with unique needs, and students experiencing homelessness; (v) providing access to necessary devices and connectivity for distance learning; (vi) providing resources and support to address student and staff mental health and social emotional well-being; and, (vii) continuing to provide school meals for students. As part of the LCAP process, school districts were required to complete a COVID-19 Operations Written Report in fiscal year 2020-21. The Board of Education adopted its COVID-19 Operations Written Report with its adopted budget for fiscal year 2020-21 and submitted such report to the Los Angeles County Office of Education ("LACOE"). Senate Bill 98 also requires school districts to approve a Parent Budget Overview by December 15, 2020, which was formerly an aspect of the prior LCAP reporting requirements.

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2015-16 through 2020-21, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education students.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2015-16 through 2020-21

Fiscal Year	A.D.A./Base Grant					Enrollment ⁽¹⁰⁾⁽¹¹⁾		
		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percent of EL/LI Students
2015-16	A.D.A. ⁽¹⁾ :	4,412.02	3,445.28	2,375.51	4,903.03	15,135.84	15,547	94.16%
	Targeted Base Grant ⁽²⁾⁽³⁾ :	\$7,820	\$7,189	\$7,403	\$8,801	--	--	--
2016-17	A.D.A. ⁽¹⁾ :	4,184.84	3,534.30	2,351.16	4,875.75	14,946.05	15,405	94.30%
	Targeted Base Grant ⁽²⁾⁽⁴⁾ :	\$7,820	\$7,189	\$7,403	\$8,801	--	--	--
2017-18	A.D.A. ⁽¹⁾ :	4,157.61	3,475.17	2,361.91	4,825.53	14,820.22	15,213	94.14%
	Targeted Base Grant ⁽²⁾⁽⁵⁾ :	\$7,941	\$7,301	\$7,518	\$8,939	--	--	--
2018-19	A.D.A. ⁽¹⁾ :	4,079.17	3,377.11	2,429.84	4,764.70	14,650.82	14,875	95.03%
	Targeted Base Grant ⁽²⁾⁽⁶⁾ :	\$8,235	\$7,571	\$7,796	\$9,269	--	--	--
2019-20	A.D.A. ⁽¹⁾ :	3,908.34	3,085.68	2,466.57	4,679.00	14,139.59	14,336	95.60%
	Targeted Base Grant ⁽²⁾⁽⁷⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--
2020-21 ⁽⁸⁾	A.D.A. .:	3,751.87	3,019.55	2,305.25	4,632.51	13,709.18	13,846	95.00%
	Targeted Base Grant ⁽²⁾⁽⁹⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--

- ⁽¹⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a “material decrease” in attendance or attendance at Saturday school.
- ⁽²⁾ Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF was fully implemented as of fiscal year 2018-19, two years ahead of its anticipated implementation.
- ⁽³⁾ Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
- ⁽⁴⁾ Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
- ⁽⁵⁾ Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
- ⁽⁶⁾ Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This “super COLA” amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
- ⁽⁷⁾ Targeted fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.
- ⁽⁸⁾ Figures are estimates.
- ⁽⁹⁾ Targeted fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from targeted fiscal year 2019-20 Base Grant amounts.
- ⁽¹⁰⁾ Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district’s percentage of unduplicated EL/LI Students is based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
- ⁽¹¹⁾ The District is experiencing declining enrollment consistent with statewide trends and makes periodic staffing and budgeting adjustments accordingly.

Source: Paramount Unified School District.

The District received approximately \$171.68 million (unaudited) in aggregate revenues reported under LCFF sources in fiscal year 2019-20 (or approximately 84.55% of its general fund revenues in fiscal year 2019-20). Such amount includes supplemental and concentration grants for targeted student groups estimated to be approximately \$124.02 million and \$47.66 million, respectively, in fiscal year 2019-20. The District has budgeted to receive approximately \$153.39 million in aggregate revenues under the LCFF in fiscal year 2020-21 (or approximately 83.99% of its general fund revenues in fiscal year 2020-21). Such amount includes supplemental grants and concentration grants budgeted to be approximately \$101.83 million and \$51.56 million, respectively, in fiscal year 2020-21.

Infectious Disease Outbreak. In general, the outbreak of a highly contagious disease or epidemic disease could harm the District’s financial results or result in a temporary shutdown of the District’s facilities. As discussed above, school districts in California are funded based on the LCFF, which allocates

a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. See “– *Allocation of State Funding to School District; Local Control Funding Formula.*” Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes. Further, any impact on the State’s tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See “–*Future Budgets and Budgetary Actions.*” In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

COVID-19 Background. The outbreak of the respiratory disease caused by COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by President Trump and a state of emergency by the Governor of the State.

Federal Response. On March 22, 2020, President Trump approved the Major Disaster Declaration for the State of California’s COVID-19 pandemic, authorizing federal emergency aid related to COVID-19. Local educational agencies may submit a request for public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District has submitted a request for public assistance.

On March 27, 2020, the U.S. House of Representatives approved and President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act provides \$30 billion to education, specifically \$3 billion allocated to state governors to be used at their discretion to address the emergency, \$13.5 billion for K-12 education, and \$14.25 billion for postsecondary institutions. School districts will be able to use their share of the \$13.5 billion K-12 education allocation under the CARES Act, which will be based on the proportion of Title I funding received for the most recent fiscal year, for purposes authorized by federal law and other specified uses. To date, the District has received approximately \$18.25 million under the CARES Act.

State Legislation Relating to School Districts. On March 17, 2020, the Governor signed Senate Bill 117 (“SB 117”) as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed ADA period applies to school districts that comply with Executive Order N-26-20, which provides that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. SB 117 further states the intent of the State Legislature that a school district’s employees and contractors are paid during the period of a school closure due to COVID-19. SB 117 also waives instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also includes \$100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received \$246,260 from such additional State funding in fiscal year 2019-20.

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction effective March 16, 2020 for the remainder of the 2019-20 school year and implemented a distance learning model. The District started the 2020-21 school year by continuing to utilize the distance learning model with plans to transition to an in-person hybrid instructional model in 2021 if permitted by State and local officials.

In fiscal year 2019-20, the District recorded approximately \$7 million (unaudited) in COVID-19 related expenditures, largely resulting from increased expenditures related to student meal distribution, added facilities security, technology upgrades, campus HVAC filter system improvements, and network upgrades. In fiscal year 2020-21, the District is budgeting approximately \$20 million for additional COVID-19 related expenditures for the continued efforts in addressing COVID-19 related needs. The District has been allocated approximately \$18.25 million in one-time funds under the CARES Act and \$260,000 in one-time funds under SB 117 to mitigate the impact of COVID-19 during fiscal years 2019-20 and 2020-21, which the District currently expects will cover a substantial portion of the increased expenditures relating to COVID-19.

While SB 117 and the CARES Act have provided and will continue to provide some immediate relief to school districts, including the District, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation is rapidly evolving. The District cannot predict whether similar legislation would be enacted in the event the outbreak of COVID-19 continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as a LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "*State Funding of Education; State Budget Process – Allocation of State Funding to School Districts; Local Control Funding Formula*" for more information about the LCFF.

Local property tax revenues accounted for approximately 12.78% of the District's aggregate revenues reported under LCFF sources and are estimated to be approximately \$21.94 million, or 10.81% of total general fund revenues in fiscal year 2019-20 (unaudited). Local property tax revenues are budgeted to account for approximately 16.50% of the District's aggregate revenues reported under LCFF sources and are budgeted to be approximately \$25.31 million, or 13.86% of total general fund revenues in fiscal year 2020-21.

For information about the property taxation system in California and the District's property tax base, see "*Property Taxation System*," "*Assessed Valuation of Property Within the District*," and "*Tax Charges and Delinquencies*" under the caption "*SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS*" in the front portion of the Official Statement.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In a LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district’s entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In a community funded district, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprised approximately 5.57% (or approximately \$11.32 million) of the District’s general fund revenues for fiscal year 2019-20 (unaudited), and comprise approximately 7.91% (or approximately \$14.45 million) of the District’s general fund budgeted revenues for fiscal year 2020-21.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, 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 LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprised approximately 3.27% (or approximately \$6.64 million) of the District’s general fund revenues for fiscal year 2019-20 (unaudited), and comprise approximately 2.95% (or approximately \$5.39 million) of the District’s general fund budgeted revenues for fiscal year 2020-21.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District’s State lottery revenue was approximately \$3.12 million for fiscal year 2019-20 (unaudited) and budgeted at approximately \$2.83 million for fiscal year 2020-21.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprised approximately 6.60% (or approximately \$13.40

million) of the District's general fund revenues for fiscal year 2019-20 (unaudited) and comprise approximately 5.15% (or approximately \$9.40 million) of the District's general fund budgeted revenues for fiscal year 2020-21.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2019, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's auditor, Vicenti, Lloyd & Stutzman LLP, Burbank, California ("VLS"), for fiscal years 2014-15 and 2015-16, and CliftonLarsonAllen LLP, Glendora, California ("CLA") for fiscal years 2016-17 through 2018-19. As of June 1, 2017, VLS merged with CLA.

CLA has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2014-15 through 2018-19.

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PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2014-15 through 2018-19

	Fiscal Year 2014-15	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾⁽²⁾	Fiscal Year 2017-18 ⁽¹⁾⁽²⁾	Fiscal Year 2018-19 ⁽¹⁾⁽²⁾
REVENUES					
LCFF Sources:					
State Apportionments	\$113,719,057	\$129,110,979	\$136,530,483	\$137,298,520	\$148,717,613
Local Sources	11,063,546	17,143,339	19,699,605	22,593,565	22,389,110
Total LCFF Sources	124,782,603	146,254,318	156,230,088	159,892,085	171,106,723
Federal Sources	10,887,946	10,007,386	11,573,244	11,057,722	11,905,006
Other State Sources	7,969,388	25,263,952	21,063,183	20,362,715	32,657,440
Other Local Sources	9,566,776	3,677,965	3,266,593	4,214,127	7,013,271
TOTAL REVENUES	153,206,713	185,203,621	192,133,108	195,526,649	222,682,440
EXPENDITURES					
Instruction	92,129,512	100,432,763	110,499,315	115,564,703	132,246,133
Instruction – Related Services	20,696,838	25,274,951	27,507,673	29,154,886	32,725,141
Pupil Services	7,704,540	10,541,795	11,458,099	12,049,820	15,582,560
Ancillary Services	717,213	567,703	567,553	681,215	710,468
Enterprise Activities	-	-	-	-	155,078
General Administration	7,353,995	7,146,512	8,588,493	8,739,042	10,039,829
Plant Services	15,829,332	21,455,665	23,375,992	24,116,238	26,629,335
Debt Service	-	-	-	-	211,534
Other Outgo	70,695	68,306	66,095	124,801	-
TOTAL EXPENDITURES	144,502,125	165,487,695	182,063,220	190,430,705	218,300,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,704,588	19,715,926	10,069,888	5,095,944	4,382,362
OTHER FINANCING SOURCES (USES):					
Interfund Transfers In	-	-	-	3,443,897	4,187,988
Interfund Transfers Out	(1,055,000)	(1,495,000)	(1,545,000)	(5,034,897)	(7,073,384)
TOTAL OTHER FINANCING SOURCES (USES)	(1,055,000)	(1,495,000)	(1,545,000)	(1,591,000)	(2,885,396)
Net Change in Fund Balances	7,649,588	18,220,926	8,524,888	3,504,944	1,496,966
Fund Balances at Beginning of Year	21,289,008	28,938,596	47,159,522	55,684,410	59,189,354
Fund Balances at End of Year	<u>\$28,938,596</u>	<u>\$47,159,522</u>	<u>\$55,684,410</u>	<u>\$59,189,354</u>	<u>\$60,686,320</u>

⁽¹⁾ In fiscal year 2015-16, fiscal year 2016-17, fiscal year 2017-18, and fiscal year 2018-19 the District's revenues increased by approximately \$25.2 million, \$8.4 million, \$19.6 million, and \$12.0 million, respectively, primarily due to the additional funding received for LCFF. Expenses increased in fiscal year 2015-16 by approximately \$17.2 million primarily due to a salary enhancement for all employees and additional funding received for LCFF. Expenses increased in fiscal year 2016-17 and fiscal year 2017-18 by approximately \$11.9 million, \$362 million and \$7.6 million, respectively, primarily due to a salary enhancement for all employees and additional expenditures for LCAP.

⁽²⁾ The decreased net change in fund balance in fiscal year 2016-17 through fiscal year 2018-19 is primarily due to a decrease in LCFF gap funding and the District reaching its target LCFF.

Source: Paramount Unified School District Audited Financial Reports for fiscal years 2014-15 through 2018-19.

The following table sets forth the general fund balance sheet of the District for fiscal years 2014-15 through 2018-19.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2014-15 through 2018-19

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<u>ASSETS</u>					
Cash in County Treasury	\$35,515,069	\$57,186,475	\$70,942,270	\$75,840,719	\$74,801,287
Cash in Revolving Fund/Cash on hand and in banks	40,000	-	-	40,000	40,000
Cash with fiscal agent	-	40,000	40,000	-	-
Accounts Receivable:					
Federal and State Governments	6,605,951	7,411,427	3,580,635	3,218,547	6,360,003
Miscellaneous	624,244	526,697	415,128	718,507	354,999
Inventories	279,464	246,900	252,515	291,164	212,706
TOTAL ASSETS	\$43,064,728	\$65,411,499	\$75,230,548	\$80,108,937	\$81,768,995
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$14,126,132	\$17,327,796	\$18,760,776	\$20,393,709	\$20,828,527
Deferred/Unearned revenue	-	924,181	785,362	525,874	254,148
Tax revenue anticipation notes	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
TOTAL LIABILITIES	\$14,126,132	18,251,977	19,546,138	20,919,583	21,082,675
<u>FUND BALANCES</u>					
Nonspendable	319,464	286,900	292,515	331,164	252,706
Restricted	5,088,650	8,060,530	8,278,684	6,533,095	4,506,035
Assigned	8,913,672	24,818,878	31,727,585	37,561,192	41,427,579
Unassigned	14,616,810	13,993,214	15,385,626	14,763,903	14,500,000
TOTAL FUND BALANCES	28,938,596	47,159,522	55,684,410	59,189,354	60,686,320
TOTAL LIABILITIES AND FUND BALANCES	\$43,064,728	\$65,411,499	\$75,230,548	\$80,108,937	\$81,768,995

Source: Paramount Unified School District Audited Financial Reports for fiscal years 2014-15 through 2018-19.

District Budget Process and County Review

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

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the

county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the Superintendent of Public Instruction (the "State Superintendent") may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et. seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then-current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State Superintendent no later

than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the past five years, the District has not received a negative or qualified certification for an interim financial report.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds.

A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

The table on the following page sets forth the District's adopted general fund budgets for fiscal years 2017-18 through 2020-21 and unaudited actuals for fiscal years 2017-18 and 2019-20.

PARAMOUNT UNIFIED SCHOOL DISTRICT
General Fund Budgets for Fiscal Years 2017-18 through 2020-21,
Unaudited Actuals for Fiscal Years 2017-18 and 2019-20

	2017-18 Original Adopted Budget	2017-18 Unaudited Actuals⁽¹⁾	2018-19 Original Adopted Budget	2018-19 Unaudited Actuals⁽¹⁾	2019-20 Original Adopted Budget	2019-20 Unaudited Actuals	2020-21 Original Adopted Budget
REVENUES							
LCFF Sources	\$159,635,783.00	\$159,892,084.43	\$169,313,594.00	\$170,981,183.82	\$176,635,313.00	\$171,680,838.28	\$153,392,143.00
Federal Revenue	8,201,526.00	10,267,653.74	9,371,366.00	11,174,112.88	9,019,137.00	11,317,645.27	14,454,389.00
Other State Revenue	10,168,283.00	14,533,937.46	11,909,394.00	11,742,342.58	4,634,695.00	6,643,785.20	5,393,109.00
Other Local Revenue	2,310,660.00	4,057,892.49	2,501,896.00	6,822,626.13	2,582,107.00	13,403,441.43	9,396,743.00
TOTAL REVENUES	180,316,252.00	188,751,568.12	193,096,250.00	200,720,265.41	192,871,252.00	203,045,710.18	182,636,384.00
EXPENDITURES							
Certificated Salaries	83,054,306.00	85,048,793.01	86,784,964.00	89,346,033.55	91,857,252.00	88,264,489.28	87,925,714.00
Classified Salaries	24,150,438.00	25,286,076.30	24,364,341.00	27,448,008.18	28,227,251.00	26,804,822.68	28,543,385.00
Employee Benefits	40,516,235.00	39,862,895.41	44,379,048.00	43,567,395.01	46,551,143.00	44,543,639.15	45,664,134.00
Books and Supplies	15,608,779.00	8,005,618.72	19,797,994.00	8,297,301.39	18,819,091.00	7,973,269.88	10,636,950.00
Services, Other Operating Expenses	23,123,044.00	20,570,653.06	21,631,761.00	22,283,851.27	21,372,684.00	22,564,225.67	25,949,942.00
Capital Outlay	7,107,346.00	1,011,063.94	4,150,000.00	3,669,865.13	2,384,000.00	2,806,120.93	1,671,992.00
Other Outgo (excluding Direct Support/Indirect Costs)	100,000.00	124,800.84	88,000.00	211,533.81	88,000.00	207,054.00	108,000.00
Other Outgo - Transfers of Indirect Costs	(150,113.00)	(127,815.59)	(196,235.00)	(179,623.81)	(194,131.00)	(207,708.71)	(157,341.00)
TOTAL EXPENDITURES	193,510,035.00	179,782,085.69	200,999,873.00	194,644,364.53	209,105,290.00	192,955,912.88	200,342,776.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,193,783.00)	8,969,482.43	(7,903,623.00)	6,075,900.88	(16,234,038.00)	10,089,797.30	(17,706,392.00)
OTHER FINANCING SOURCES (USES)							
Inter-fund Transfers In	-	-	-	-	-	-	-
Inter-fund Transfers Out	(1,591,000.00)	(5,034,897.25)	(5,778,988.00)	(7,073,383.85)	(5,750,148.00)	(5,750,148.00)	(4,416,282.00)
Other Sources (Uses)	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(1,591,000.00)	(5,034,897.25)	(5,778,988.00)	(7,073,383.85)	(5,750,148.00)	(5,750,148.00)	(4,416,282.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(14,784,783.00)	3,934,585.18	(13,682,611.00)	(997,482.97)	(21,984,186.00)	4,339,649.30	(22,122,674.00)
BEGINNING BALANCE, as of July 1	48,530,694.65	53,124,080.86	52,615,665.86	57,058,666.04	54,367,607.00	56,186,725.13	53,898,886.13
Audit Adjustments	-	-	-	-	-	-	-
As of July 1 - Audited	48,530,694.65	53,124,080.86	52,615,665.86	57,058,666.04	54,367,607.00	56,186,725.13	53,898,886.13
Other Restatement	-	-	-	125,542.06	-	-	-
Adjusted Beginning Balance	48,530,694.65	53,124,080.86	52,615,665.86	57,184,208.10	54,367,607.00	56,186,725.13	53,898,886.13
ENDING BALANCE	\$33,745,911.65	\$57,058,666.04	\$38,933,054.86	\$56,186,725.13	\$32,383,421.00	\$60,526,374.43	\$31,776,212.13
Unrestricted Balance	\$27,019,480.28	\$50,894,420.50	\$33,911,301.19	\$52,093,309.95	\$28,057,484.00	\$55,437,080.31	\$23,050,625.95
Restricted Balance	\$6,726,431.37	\$6,164,245.54	\$5,021,753.67	\$4,093,415.18	\$4,325,937.00	\$5,089,294.12	\$8,725,586.18

⁽¹⁾ The revenues, expenditures, and ending fund balances included in the District's Audited Financial Report for fiscal year 2016-17 differ from the unaudited actuals for the same fiscal year because the District's Audited Financial Report combines the activities of the District's Adult Education Fund with the District's General Fund for purposes of reporting. The revenues, expenditures, and ending fund balances included in the District's Audited Financial Report for fiscal year 2017-18 differ from the unaudited actuals for the same fiscal year because the District's Audited Financial Report combines the activities of the District's Adult Education Fund and Deferred Maintenance Fund with the District's General Fund for purposes of reporting.

Source: Paramount Unified School District adopted general fund budgets for fiscal years 2017-18 through 2020-21 and unaudited actuals for fiscal years 2017-18 and 2019-20.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District’s long-term obligations for the year ended June 30, 2019, consisted of the following:

Long-Term Debt	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due in One Year
General Obligation Bonds ⁽¹⁾	\$134,801,516	\$ 30,496,089	\$6,856,642	\$158,440,963	\$7,617,988
Capital appreciation interest	33,069,506	5,624,765	-	38,694,271	-
Premium on general obligation bonds	3,329,921	1,565,641	812,903	4,082,659	-
Total general obligation bonds	171,200,943	37,686,495	7,669,545	201,217,893	7,617,988
Certificates of participation	22,850,000	-	220,000	22,630,000	270,000
Compensated absences	2,033,757	125,879	-	2,159,636	-
Other postemployee benefits other than pensions ⁽²⁾	37,176,874	10,175,871	-	47,352,745	4,645,328
Net pension liability	186,982,256	5,945,316	-	192,927,572	-
Total	<u>\$420,243,830</u>	<u>\$ 53,933,561</u>	<u>\$7,889,545</u>	<u>\$466,287,846</u>	<u>\$12,533,316</u>

⁽¹⁾ Does not reflect the issuance of the Refunding Bonds and the refunding of the Refunded Bonds; excludes the Paramount Unified School District (Los Angeles County, California) General Obligation Bonds, Election of 2016, Series 2020C (the “Series 2020C Bonds”) which the District expects to issue on or about December 9, 2020. See “–General Obligation Bonds” below for more information.

⁽²⁾ Restated for implementation of GASB 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.

Source: Paramount Unified School District Audited Financial Report for fiscal year 2018-19.

General Obligation Bonds. Prior to the issuance of the Series 2020C Bonds, the District has outstanding seven series of general obligation bonds, which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Series 2020C Bonds.

On or about December 9, 2020, the District expects to issue its Series 2020C Bonds in an aggregate principal amount of \$49,830,000. See “THE REFUNDING BONDS—Outstanding Bonds” and “–Aggregate Debt Service” in the front portion of the Official Statement for more information about such outstanding bonds.

Compensated Absences. Total unpaid employee compensated absences as of June 30, 2019 amounted to \$2,159,636.

Certificates of Participation. On August 14, 1997, the District caused to be executed and delivered \$4,000,000 aggregate principal amount of its Certificates of Participation (1997 Class Size Reduction Funding Program) (the “1997 Certificates”) evidencing direct, fractional undivided interests of the owners thereof in base rental payments to be made by the District pursuant to a lease agreement with the Paramount Unified School District Facilities Corporation (the “Corporation”). The proceeds of the 1997 Certificates were used primarily to finance the acquisition and installation of 25 new relocatable classrooms and to finance the construction of certain site improvements needed in order to permit the District to install the 25 new relocatable classrooms plus an additional 45 relocatable classrooms to be rented from the State. The 1997 Certificates matured on September 1, 2017.

On August 16, 2001, the District caused to be executed and delivered \$26,000,000 aggregate principal amount of its Certificates of Participation (2001 School Facility Bridge Funding Program) (the “2001 Certificates”) evidencing direct, fractional undivided interests of the owners thereof in base rental payments to be made by the District pursuant to a lease agreement with the Corporation. The proceeds of the 2001 Certificates were used primarily to prepay the District’s prior certificates of participation

executed and delivered in 1994 and 1995, and also to provide for the acquisition of a site for the Rosecrans Elementary School and the construction of additional facilities at the Paramount Park Elementary School.

On January 30, 2012, the District caused to be executed and delivered \$27,375,212.88 aggregate initial principal amount of its 2012 Certificates evidencing direct, fractional undivided interests of the owners thereof in base rental payments to be made by the District pursuant to a lease agreement with the Corporation. The proceeds of the 2012 Certificates were used primarily to prepay all outstanding maturities of the District's then outstanding 1997 Certificates and 2001 Certificates, as well as to finance certain capital projects for the District. The District's payments under the 2012 Certificates were deferred until December 1, 2014. Upon the conclusion of the accreted interest period on December 1, 2014, the District had the option to choose from multiple interest rate options (including a weekly rate mode, extended rate mode or fixed rate mode). The 2012 Certificates are currently in the extended rate mode with the next rate conversion scheduled for June 1, 2022. The final principal payment date with respect to the 2012 Certificates is December 1, 2041. The lease payments under the 2012 Certificates are payable as follows:

Year Ending June 30,	Principal	Interest
2020	\$270,000	\$668,101
2021	310,000	777,175
2022	350,000	765,625
2023	390,000	752,675
2024	440,000	738,150
2025-2029	3,070,000	3,404,625
2030-2034	4,840,000	2,720,550
2035-2039	7,210,000	1,674,925
2040-2042	5,750,000	310,625
Total	\$22,630,000	\$11,812,451

Source: Paramount Unified School District Audited Financial Report for fiscal year 2018-19.

A portion of the 2012 Certificates are expected to be prepaid with the proceeds of the Series 2020C Bonds.

Operating Leases. The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

Year Ended June 30,	Lease Payment
2020	\$604,872
2021	151,218
Total	\$756,090

Source: Paramount Unified School District Audited Financial Report for fiscal year 2018-19.

Current year expenditures for operating leases is approximately \$604,872. The District will receive no sublease rental revenues or pay any contingent rentals for these properties.

Supplemental Employment Retirement Plan. On July 1, 2013, the District Board approved the implementation of a Supplemental Employee Retirement Plan for eligible certificated non-management (teachers and counselors), certificated management, classified management and confidential and classified

non-management employees. A total of 30 certificated non-management, three certificated managers, no classified managers and 20 classified non-management employees participated. The total cost of the plan is \$2,643,197 to be paid in five equal installments of \$528,640 beginning July 2013 through July 2017. The remaining balance of \$528,640 was paid off during fiscal year 2017-18.

Other Post-Employment Benefits. In addition to the retirement plan benefits with CalSTRS, the State Public Employees' Retirement System ("CalPERS") and the District's Supplemental Employee Retirement Plans described above, the District administers the Retiree Health Plan (the "Plan"), which is a single-employer defined benefit healthcare plan that is used to provide postemployment benefits other than pensions for eligible active employees and retirees.

For fiscal year 2018-19, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense for the District Plan as follows:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Benefit Plan	\$47,352,745	\$11,734,493	-	(\$1,558,622)

Source: Paramount Unified High School District Audited Financial Report for fiscal year 2018-19.

The Plan provides medical, prescription drug, behavior health, dental and life insurance benefits to eligible active employees and retirees. The medical plans include the Anthem Blue Cross Classic 100 – A \$20 PPO and Kaiser HMO, offered through the Alliance of Schools for Cooperative Insurance Programs (the "ASCIP"). Prescription drug and behavioral health benefits are provided as a package with the medical coverage. MES vision coverage is optional for Anthem PPO participants. Delta Dental PPO is offered to employees and retirees. Life insurance is offered through Reliance Standard. All coverages are either fully insured or self-insured on a pooled basis, and blended premiums for medical coverage apply to active employees and retirees under the age of 65.

Benefits are provided to all full-time Certificated, Management and Classified employees attaining age 55 with at least 10 years of qualifying District service will receive, for the period between retirement and age 65, a District contribution based towards medical, dental and life insurance. As of June 30, 2019, the District Plan consisted of 1,223 active plan members and 83 inactive plan members or beneficiaries currently receiving benefits

The contribution requirements of plan members and the District are established and may be amended through negotiations between the District and the bargaining unions representing employees and unrepresented groups. The District Plan does not issue a separate financial report. The required contribution is based on projected pay-as-you-go. The District contributions range from 50-80% of the cost of current year premiums depending on the age of retiree as applicable. For fiscal year 2018-19, the District contributed \$4,654,328 in benefits. The District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the District. While the District has established a revocable trust, it does not fall within the scope of GASB Statement Number 75.

DFA, LLC has prepared an actuarial valuation as of the July 1, 2017 valuation date for the District Plan for the reporting period July 1, 2018 to June 30, 2019 (the "Actuarial Report"). The Actuarial Report included, among other assumptions, an inflation rate of 3.00% per year, salary increase of 3.00% per year, a discount rate of 3.13%, and healthcare costs trend rate increases of 6.00% for 2019, 5% by 2029.

The following table summarizes the changes in total OPEB Liability during the year ended June 30, 2019:

	Total OPEB Liability
Balance at June 30, 2018	\$37,176,874
Service cost	1,824,236
Interest Cost	1,262,470
Changes in Assumptions	1,957,376
Difference between expected and actual experience	9,777,117
Benefit payments	(4,645,328)
Balance at June 30, 2019	<u>\$47,352,745</u>

Source: Paramount Unified High School District Audited Financial Report for fiscal year 2018-19.

As of June 30, 2019, the District's actuarially determined OPEB expense is \$(1,558,622). For more information regarding the actuarial valuation, the District's annual required contribution and the District's net OPEB obligation at June 30, 2019, as well as the basic assumptions upon which the valuation was based, see Note 11 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

In June 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75"). Other post-employment benefits (meaning other than pension benefits) ("OPEB") generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. The objective of Statement Number 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement Number 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement Number 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement Number 75 replaces GASB Statements Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement Number 75 beginning with its audited financial statements for fiscal year 2017-18.

Tax and Revenue Anticipation Notes. The District may issue tax and revenue anticipation notes ("TRANS") or borrow funds to supplement the District's cash flow in fiscal year 2020-21. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

As of June 12, 2020, the District employed approximately 1,484.02 full-time equivalent employees including 851.52 certificated (credentialed teaching) staff, 535.50 classified (non-teaching) staff, and 127 management personnel (all of whom are counted as certificated or classified staff.) For fiscal year 2019-20, the total certificated and classified payrolls for the general fund are approximately \$88.26 million and \$26.80 million, respectively (unaudited), and are budgeted to be approximately \$87.93 million and \$28.54 million, respectively, in fiscal year 2020-21.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
California School Employees Association	442.44	June 2023
Teachers' Association of Paramount	851.52	June 2022

Source: Paramount Unified School District.

Cybersecurity

The District collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Although the District has not yet experienced any major cybersecurity events, it has implemented a variety of software and hardware security features to protect its technology and information resources. The District also maintains cybersecurity insurance coverage through its general liability and equipment replacement policies.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Governor Brown signed into law Assembly Bill 1469 on June 24, 2014, as part of the fiscal year 2014-15 State budget (the "2014-15 State Budget"). The 2014-15 State Budget introduced phased increases to employee, employer and State contributions to CalSTRS and sets forth a plan to eliminate CalSTRS' unfunded liability by June 30, 2046.

The 2014-15 State Budget increased employee contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. On July 1, 2018, the rate increased to 10.250% of pay for employees hired on or after January 1, 2013. Employer contribution rates were also increased in fiscal year 2014-15 to 8.88% of payroll, with such rate increasing by 1.85% each year thereafter, plateauing at 19.10% of payroll in July 2020. However, due to supplemental payments of approximately \$850 million pursuant to the 2019-20 State Budget, employer contribution rates decreased

from 18.13% to 17.10% in fiscal year 2019-20 and 19.10% to 18.40% in fiscal year 2020-21. In addition, pursuant to the 2020-21 State Budget, employer contribution rates are expected to decrease from 18.40% to 16.15% in fiscal year 2020-21 and from 17.10% to 16.02% in fiscal year 2021-22 (see table below). The State's total contribution was increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, and to 10.828% of payroll in fiscal year 2020-21. The State's contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program.

Pursuant to the 2014-15 State Budget, employer contribution rates, including school districts' contribution rates, will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	16.15†
2021	16.02†

* Pursuant to the fiscal year 2019-20 State budget.

† Pursuant to the 2020-21 State Budget. See “– State Funding of Education; State Budget Process –2020-21 State Budget.”

Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS for fiscal years 2016-17 through 2018-19, the contribution for fiscal year 2019-20 (unaudited), and the budgeted contribution for fiscal year 2020-21.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Contributions to CalSTRS for Fiscal Years 2016-17 through 2020-21

Fiscal Year	District Contribution
2016-17	\$10,631,332
2017-18	12,402,043
2018-19	14,613,581
2019-20 ⁽¹⁾	15,186,118
2020-21 ⁽²⁾	15,552,005

⁽¹⁾ Unaudited actuals for fiscal year 2019-20.

⁽²⁾ Original adopted budget for fiscal year 2020-21.

Source: Paramount Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2016-17 through 2019-20 were equal to 100% of the required contributions for each year. Pursuant to the 2014-15 State Budget, beginning in fiscal year 2021-22, the State Teachers Retirement Board is required to increase or decrease employer contribution rates to the rates designed to eliminate the CalSTRS unfunded liability by June 30, 2046. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate the CalSTRS unfunded liability. As the world is currently experiencing a pandemic, the District cannot predict the impact of the outbreak of COVID-19 on investment earnings and employer contribution rates. See “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*.” However, under existing law, the State Teachers Retirement Board

may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability.

As of June 30, 2019, the actuarial valuation (the "2019 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$105.7 billion, a decrease of approximately \$1.5 billion from the June 30, 2018 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2019 and June 30, 2018, based on the actuarial assumptions, were approximately 66.0% and 64.0%, respectively. According to the 2019 CalSTRS Actuarial Valuation, the funded ratio increased by 2.0% during the past year and has decreased by approximately 12% over the past 10 years. As described in the 2019 CalSTRS Actuarial Valuation, the additional State contribution and the return on the actuarial value of assets (7.7%) that exceeded the assumed return (7%) were the primary causes of the increase in the funded ratio from the prior year valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2019 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2019 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "*Governor's Pension Reform*" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS. All school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. However, unlike contributions to CalSTRS, which incrementally increase at statutorily set rates, school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of a global pandemic, including the outbreak of COVID-19, on investment earnings and school district contributions. See "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*" for more information about the impact of COVID-19. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2019-20. School districts

are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and originally 20.733% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.721% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the 2020-21 State Budget allocates funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.84%, respectively. See "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – 2020-21 State Budget."

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2018 (the "2018 CalPERS Schools Pool Actuarial Valuation") reported an actuarial accrued liability of \$92.07 billion with the market value of assets at \$64.85 billion, and a funded status of 70.4%. The actuarial funding method used in the 2018 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method." The 2018 CalPERS Schools Pool Actuarial Valuation assumes, among other things, 2.625% inflation and payroll growth of 2.875% compounded annually. The 2018 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.25% compounded annually (net of administrative expenses) as of June 30, 2018 and 7.00% compounded annually (net of administrative expenses) as of June 30, 2019. The CalPERS Board adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.625% as of June 30, 2018 to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2016-17 through 2018-19, the contribution for fiscal year 2019-20 (unaudited), and the budgeted contribution for fiscal year 2020-21.

PARAMOUNT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Contributions to CalPERS for Fiscal Years 2016-17 through 2020-21

Fiscal Year	District Contribution
2016-17	\$3,303,662
2017-18	3,813,322
2018-19	4,622,482
2019-20 ⁽¹⁾	4,203,654
2020-21 ⁽²⁾	5,019,408

⁽¹⁾ Unaudited actuals for fiscal year 2019-20.

⁽²⁾ Original adopted budget for fiscal year 2020-21.

Source: Paramount Unified School District.

The District's total employer contributions to CalPERS for fiscal years 2016-17 through 2018-19 were equal to 100% of the required contributions for each year.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on

and after January 1, 2013. For new employees, PEPPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$137,700 for 2020, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. CalSTRS and CalPERS are more fully described in Note 12 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Risk Pooling, Joint Powers Agreements and Joint Ventures

The District participates in two joint powers agreements (each a "JPA"). The Alliance of Schools for Cooperative Insurance Programs ("ASCIP") and the California School Facilities Financing Authority ("CSFFA").

ASCIP arranges for and provides property and liability insurance for its member school districts. The District pays a premium commensurate with the level of its property values and average daily attendance. The JPA also maintains programs for workers' compensation insurance. The District pays a premium based on a percentage of total payroll for the District's self-insurance program and for excess insurance.

The CSFFA is a JPA made pursuant to the Joint Powers Act providing the joint exercise of powers between the Azusa Unified School District and the District, to provide for the financing or refinancing of public capital improvements.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes. See Note 14 to the District's financial statements attached hereto as APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school

district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment 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.

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

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted

annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

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 ("Article XIII C" and "Article XIII D," respectively), 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.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies

retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 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”). 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 districts and community college districts (collectively, “K-14 districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the Governor’s Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State’s budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State’s ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the “change in the cost of living” by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State’s spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the “excess” tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts’ minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts’ base expenditures for calculating their entitlement for State aid in the following year and would not increase the State’s appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain “qualified capital outlay projects” and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the “first test”) or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a “credit” to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State’s income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative (“Proposition 55”), approved by the voters on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

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

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year’s deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the “Public School System Stabilization Account”) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

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 Public School System Stabilization Account, 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 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 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.

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 Public School System Stabilization Account 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 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.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California 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 or accreted value of and interest on the Refunding Bonds as and when due.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, 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 revenue.

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APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**PARAMOUNT UNIFIED SCHOOL DISTRICT
LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2019**



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AUDIT, TAX, AND
CONSULTING

PARAMOUNT UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Paramount Unified School District
Paramount, California 90723

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paramount Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

INDEPENDENT AUDITORS' REPORT

Board of Education
Paramount Unified School District
Paramount, California

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 in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, the other supplementary schedules and the combining non-major fund and fiduciary fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT

Board of Education
Paramount Unified School District
Paramount, California

The Schedule of Average Daily Attendance (ADA), Schedule of Instructional Time, Schedule of Expenditures of Federal Awards, Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements, the Notes to the Supplementary Information and the combining non-major fund and fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The History and Organization, Schedule of Financial Trends and Analysis and Schedule of Charter Schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
December 12, 2019

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2019. This discussion has been prepared by management, should be read in conjunction with the financial statements, and notes thereto which follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statements No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments) issued June 1999. Certain comparative information between the current and prior year is required to be presented in the MD&A.

Financial Highlights

This section provides an overview of the District's financial activities.

Category	June 30, 2018	June 30, 2019
Total Ending Net Position - Government-wide	\$ (70,470,235)	\$ (77,013,520)
Net Change in Fund Balance - General Fund	3,504,944	1,496,966
Reserves for Economic Uncertainties - General Fund	13,000,000	14,500,000
Net Change in Fund Balance - Other Governmental Funds	3,149,502	1,877,195
Proprietary Funds		
Net Operating Income	2,298,420	3,779,429

- The General Fund ended the 2018-19 fiscal year with a net change in fund balance of \$1,469,966. This represents an approximate decrease of \$2,007,978 from the previous year. This change occurred primarily due to the decrease in gap funding as it relates to the Local Control Funding Formula (LCFF) and the District reaching its targeted LCFF Entitlement.
- The Other Governmental Funds include various funds of the District that are reported in detail in the optional supplementary information section of this audit report. The net change in fund balance decreased by \$1,272,307 million primarily due to the Bond Interest and Redemption Fund.

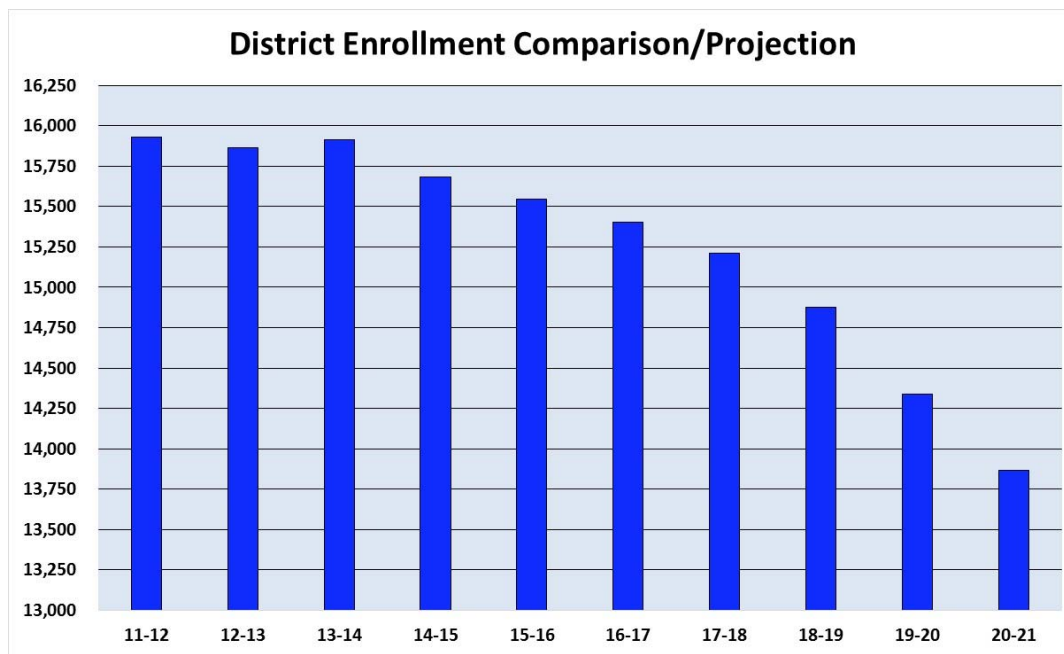
PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

- The Self-Insurance Fund operating income increased primarily due to a rebate received for prior year health benefit charges.

Student Enrollment and Average Daily Attendance (ADA)

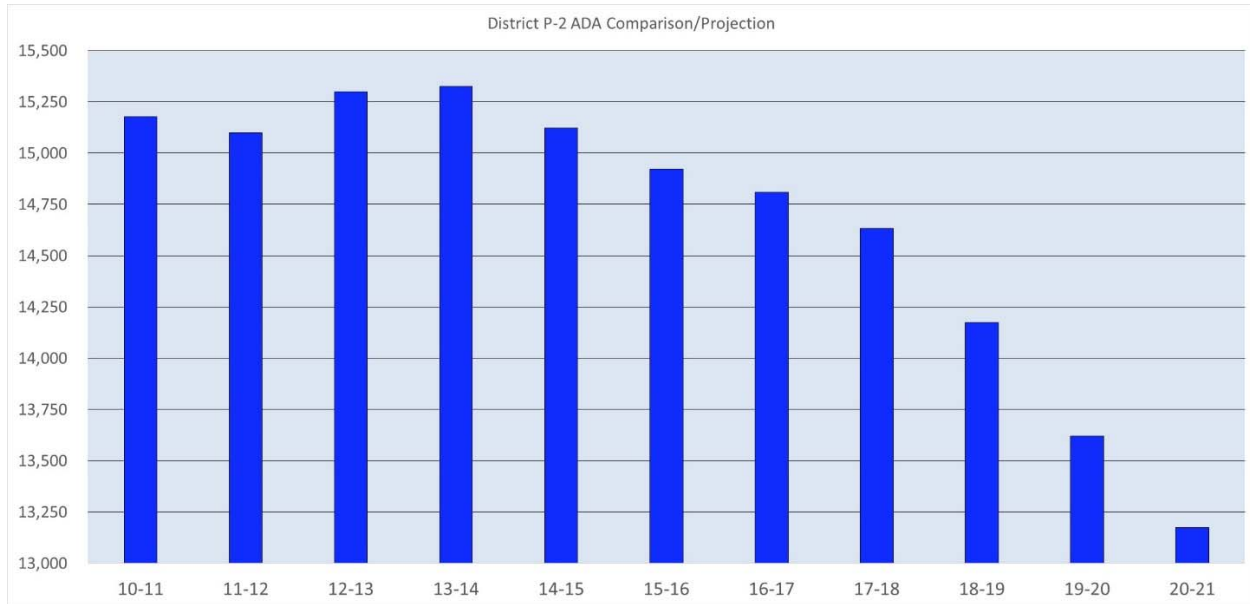
This section provides an overview of the District's enrollment and attendance trends.

Projected Student Enrollment – The graph below depicts actual enrollment at CBEDS in to 2012–13 and CALPADs from 2013–14 to 2020–21. Actual enrollment at CALPADs decreased in 2018–19 by 338 students from the previous year. Enrollment decreased in 2019–20 by 539 students and is projected to decrease in 2020–21 by 468 students, for a total enrollment of 14,336 for 2019–20 and 13,868 for 2020–21. The enrollment numbers below do not include county educated special education students. The District contracts with Decision Insite to provide enrollment projections. In 2019–20, actual CBEDS enrollment was 204 less students than what was projected.



PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Projected Student Average Daily Attendance (ADA) – The graph below illustrates the District's ADA at P-2. The District receives funding on the higher of current year or prior year P-2 ADA. ADA decreased in 2018-19 by 460 from the previous year. The actual rate of attendance for 2018-19 was 95.28%. The District has projected ADA in the past using enrollment data provided by Decision Insite and historical trends. The District projects a 95% rate of attendance in 2019-20, 2020-21 and 2021-22. The ADA numbers depicted in the graph below do not include county educated special education students.



Fund Financial Statements

More detailed information about the District's major governmental funds, not the District as a whole, are provided in the fund financial statements. Other governmental funds are combined and presented in a single column. Funds are accounting formats the District uses to keep track of specific sources of funding and expenditures in a particular program. Some funds are required by bond covenants, by state law and other funds are established by the District to control and manage a variety of activities for particular purposes (such as repaying its long-term debts). Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as federal grants).

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

The District maintains three classes of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and focus on the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the government fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information is presented in a separate reconciliation provided after the governmental fund statements that explains the differences (or relationships) between the governmental fund statements and the government-wide statements.

Proprietary funds: The proprietary fund category includes enterprise and internal service funds. An enterprise fund operates as a business-type activity, and additional information such as a cash flow statement is presented. Internal service funds report activities that provide supplies and services for the other programs and activities of the District. Proprietary funds are reported in the same manner as the District-wide statements. Currently, the District has one internal service fund, the Self-Insurance Fund, used to account for employee insurance coverage.

Fiduciary funds: For assets that belong to others, such as student activities funds, the District acts as the trustee, or fiduciary. The District has two Associated Student Body Funds. The District is responsible for ensuring that the assets reported in these funds are only used for their intended purpose and by those to whom the assets belong. A separate statement of fiduciary net position and a statement of changes in fiduciary net position reports the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the assets cannot be used to finance other District operations.

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets, deferred outflow of resources, liabilities (current and non-current) and net position (assets, plus deferred outflow of resources, minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

The difference between total assets, plus deferred out flow of resources, less total liabilities (net position) is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense. The deferred outflow of resources is comprised of the deferred charge on refunding general obligation bond debt. The deferred charge on refunding is the difference between the reacquisition price and the net carrying amount of the old debt refunded, and a portion is amortized each year.

The net position is presented in three major categories. The first category provides the information in regards to equity amount in property, plant, and equipment owned by the District. The second category provides information on net position that is restricted by external parties as to use. The third category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

The Statement of Net Position for the years ended June 30, 2018 and June 30, 2019 are summarized below:

	<u>2018</u>	<u>2019</u>	<u>Variance</u>
Assets			
Cash	\$ 127,970,224	\$ 156,783,409	\$ 28,813,185
Accounts receivable	5,928,858	8,656,986	2,728,128
Stores inventory	368,263	288,129	(80,134)
Capital assets, net	<u>191,845,445</u>	<u>191,238,422</u>	<u>(607,023)</u>
Total Assets	<u>326,112,790</u>	<u>356,966,946</u>	<u>30,854,156</u>
 Deferred Outflow of Resources			
Related to pensions	61,870,439	59,025,241	(2,845,198)
Related to other postemployment benefits	-	11,734,493	11,734,493
Deferred charge on refunding	<u>777,768</u>	<u>-</u>	<u>(777,768)</u>
Total Deferred Outflow of Resources	<u>62,648,207</u>	<u>70,759,734</u>	<u>8,111,527</u>
 Liabilities			
Other liabilities	32,185,687	30,192,159	(1,993,528)
Long-term obligations outstanding (current and non-current)	<u>420,243,830</u>	<u>466,287,846</u>	<u>46,044,016</u>
Total Liabilities	<u>452,429,517</u>	<u>496,480,005</u>	<u>44,050,488</u>
 Deferred inflows of resources relating to pensions	<u>6,801,715</u>	<u>8,260,195</u>	<u>1,458,480</u>
 Net Position			
Net investment in capital assets	13,079,666	46,037,020	32,957,354
Restricted	22,087,855	20,296,377	(1,791,478)
Unrestricted	<u>(105,637,756)</u>	<u>(143,346,917)</u>	<u>(37,709,161)</u>
Total Net Position	<u>\$ (70,470,235)</u>	<u>\$ (77,013,520)</u>	<u>\$ (6,543,285)</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

- Cash in the County Treasurer is explained in the notes to the financial statements and is invested mostly with the Los Angeles County Treasury pool to maximize interest income. Cash increased by approximately \$28.8 million. The increase is primarily due to revenues from bond issuance.
- Accounts receivable are mainly amounts due from Federal and State government sources for the operation of categorical programs.
- Capital assets in the current year depreciation was offset by increases in construction in progress, buildings and equipment.
- Other liabilities consist mainly of amounts due to vendors, salaries payable and revenues received during the year by categorical programs but not expended and deferred to the next fiscal year and offset by construction liabilities.
- On July 2, 2015, the Governmental Accounting Standards Board (GASB) issued two new pension accounting standards making fundamental changes to how state and local governments account for their costs and obligations relating to employee pensions. These amounts are recorded under Deferred Outflows and Inflows.
- The designated balances are amounts set-aside to fund future projects as planned by the District. Unrestricted net position is what is left after these designations.

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Statement of Activities

The purpose of this statement is to present the revenues earned, whether received or not, by the District, and the expenses incurred, whether paid or not, by the District. Thus, this statement presents the District's results of operations.

The Statement of Activities for the years ended June 30, 2018 and June 30, 2019 are summarized below:

	<u>2018</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Program revenues:			
Charges for services	\$ 286,599	\$ 23,057	\$ (263,542)
Operating grants and contributions	46,627,086	46,908,762	281,676
General revenues:			
Property Taxes	33,549,566	33,814,145	264,579
Federal and state aid not restricted	143,056,476	155,545,512	12,489,036
Interest and investment earnings	1,423,426	1,825,900	402,474
Interagency revenues	6,270	64,151	57,881
Other	3,124,699	1,918,067	(1,206,632)
Total Revenues	<u>228,074,122</u>	<u>240,099,594</u>	<u>12,025,472</u>
Expenses			
Instruction	125,753,688	131,708,628	5,954,940
Instruction-related services	32,933,482	34,017,028	1,083,546
Pupil services	22,985,895	25,422,577	2,436,682
Ancillary services	730,775	637,458	(93,317)
General administration	9,843,559	10,073,107	229,548
Plant services	23,494,218	23,784,711	290,493
Enterprise activities	3,083	7,002	3,919
Other outgo	240,501	211,534	(28,967)
Debt service - interest	13,103,859	10,482,051	(2,621,808)
Depreciation (unallocated)	9,950,922	10,298,783	347,861
Total Expenses	<u>239,039,982</u>	<u>246,642,879</u>	<u>7,602,897</u>
Increase in net position	<u>(10,965,860)</u>	<u>(6,543,285)</u>	<u>4,422,575</u>
Net Position, beginning of year	(22,002,100)	(70,470,235)	(48,468,135)
Cumulative effect of change in accounting principle	<u>(37,502,275)</u>	<u>-</u>	<u>37,502,275</u>
Net Position, beginning of the year, after cumulative effect	<u>(59,504,375)</u>	<u>(70,470,235)</u>	<u>(10,965,860)</u>
Net Position, end of year	<u>\$ (70,470,235)</u>	<u>\$ (77,013,520)</u>	<u>\$ (6,543,285)</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

- Revenues increased by approximately \$12.0 million, primarily due to Federal and State Aid.
- Expenses increased in 2018–19 by approximately \$7.6 million, primarily due to salary enhancements for all employees and added expenditures for LCAP.

The information in the following table shows the District's functions and each program's net cost (total cost less revenues generated by the activities).

	Total Cost of Services	Revenue Needed After Applying Grants and Contributions
Governmental Activities:		
Instruction	\$ 131,708,628	\$ 107,876,318
Instruction-related services	34,017,028	24,278,369
Pupil services	25,422,577	14,209,914
Ancillary services	637,458	619,252
General administration	10,073,107	9,020,517
Plant services	23,784,711	22,707,533
Enterprise activities	7,002	6,789
Other outgo	211,534	211,534
Debt service - interest	10,482,051	10,482,051
Depreciation (unallocated)	10,298,783	10,298,783
Total Governmental Activities	<u>\$ 246,642,879</u>	<u>\$ 199,711,060</u>

This table also provides information on the net cost offset by unrestricted grant, subsidies and contributions to show the remaining financial needs supported by the District's local taxes and other miscellaneous revenues from all funds totaling \$199,711,060.

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

General Fund Budget

During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. GASB Statement No. 34 requires a budgetary comparison be presented for the General Fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year-end, actual amounts at fiscal year-end and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Variations between the original and final budget amounts were primarily due to carry over funds and or unanticipated funding for categorical programs. These amounts were unknown at the time the original budget was adopted.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019 the District had \$191,238,422 invested in capital assets, net of depreciation, in governmental funds, primarily related to school construction and other capital improvements.

Note 6 to the financial statements provide additional information on capital assets. A summary of capital assets net of depreciation at year-end for 2018 and 2019 are presented below:

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Land	\$ 24,672,494	\$ 24,672,494
Building and Improvements	164,467,436	160,402,737
Construction in progress	-	1,928,907
Equipment and Vehicles	2,682,615	4,211,384
Art Collection	<u>22,900</u>	<u>22,900</u>
Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 191,845,445</u></u>	<u><u>\$ 191,238,422</u></u>

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Debt

Note 7 to the financial statements provide additional information on outstanding debt. A summary of the District's outstanding debt at year-end for 2018 and 2019 is presented below:

	<u>2018</u>	<u>2019</u>
Governmental Activities:		
Compensated Absences	\$ 2,033,757	\$ 2,159,636
Other Postemployment Benefits		
Other than Pensions	37,176,874	47,352,745
Net Pension Liability	186,982,256	192,927,572
Certificates of Participation	22,850,000	22,630,000
General Obligation Bonds	<u>171,200,943</u>	<u>201,217,893</u>
Long Term Liabilities	<u><u>\$ 420,243,830</u></u>	<u><u>\$ 466,287,846</u></u>

PARAMOUNT UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Economic Factors that may Affect the Future

2019–20 STATE BUDGET – On June 27, 2019, Governor Gavin Newsom signed the \$214.8 billion 2019–20 State Budget Bill (Assembly Bill 74). The enacted State Budget includes a total investment in Proposition 98 of \$81.1 billion, an increase of approximately \$3 billion over last year's State Budget. Some of the most significant features of the education budget include: an increase of nearly \$2 billion in ongoing Proposition 98 funding for the Local Control Funding Formula reflecting a 3.26% cost-of-living-adjustment; an increase of nearly \$646 million in ongoing Proposition 98 dollars for students with disabilities and a one-time \$3.15 billion non-Proposition 98 appropriation to provide pension relief for school employers.

Local Control Accountability Plan (LCAP)

The Districts' 2019–20 LCAP and Adopted Budget was approved by the Los Angeles County Office of Education (LACOE). The LCAP describes the District's goals and actions to provide increased or improved services for low-income students, English learners and foster youth, as compared to services for all students, in proportion to the funding apportioned on the basis of those pupils. The District's Adopted Budget supports the LCAP.

Salary Enhancements

The District has not settled with its bargaining units as of 2019-20.

Subsequent Information

In accordance with the provisions of Education Code (EC) Section 42127, a review of the Paramount Unified School District's (District) budget for fiscal year 2019–20 was completed by the Los Angeles County Superintendent of Schools (County Superintendent). That review resulted in the approval of the District's budget.

Contacting the District's Financial Management

This financial report is designed to provide the governing board, administration, faculty, parents, students, community stakeholders, investors, creditors, etc., with a general overview of the District's financial condition and to establish accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact Ruben Frutos, Assistant Superintendent of Business Services, Paramount Unified School District, 15110 S. California Avenue, Paramount, CA 90723.

FINANCIAL SECTION

PARAMOUNT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 153,888,673
Cash on hand and in banks	59,968
Cash with fiscal agent	2,834,768
Accounts receivable	
Federal and state governments	7,972,258
Miscellaneous	684,728
Inventories	288,129
Land	24,672,494
Art collection	22,900
Construction in Progress	1,928,907
Depreciable assets, net	164,614,121
Total Assets	356,966,946
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	59,025,241
Deferred outflows - OPEB	11,734,493
Total Deferred Outflows of Resources	70,759,734
<u>Liabilities</u>	
Accounts payable and other current liabilities	27,773,722
Accrued interest	1,643,289
Estimated liability for open claims incurred but not recorded	521,000
Unearned revenue	254,148
Current portion of long-term liabilities	12,533,316
Non-current portion of long term liabilities	453,754,530
Total Liabilities	496,480,005
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	8,260,195
<u>Net Position</u>	
Net investment in capital assets	46,037,020
Restricted for:	
Debt service	10,243,766
Capital projects	4,830,810
Educational programs	5,221,801
Unrestricted	(143,346,917)
Total Net Position	\$ (77,013,520)

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2019

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 131,708,628	\$ -	\$ 23,832,310	\$ (107,876,318)
Instruction - related services	34,017,028	-	9,738,659	(24,278,369)
Pupil services	25,422,577	22,956	11,189,707	(14,209,914)
Ancillary services	637,458	-	18,206	(619,252)
Enterprise activities	7,002	-	213	(6,789)
General administration	10,073,107	-	1,052,590	(9,020,517)
Plant services	23,784,711	101	1,077,077	(22,707,533)
Other outgo	211,534	-	-	(211,534)
Debt service - interest	10,482,051	-	-	(10,482,051)
Depreciation (unallocated)	10,298,783	-	-	(10,298,783)
Total District	<u>\$ 246,642,879</u>	<u>\$ 23,057</u>	<u>\$ 46,908,762</u>	<u>(199,711,060)</u>

General Revenues

Property taxes levied for	
General purposes	22,389,113
Debt service	10,479,693
Other specific purposes	945,339
Federal and state aid not restricted to specific purposes	155,545,512
Interest and investment earnings	1,825,900
Interagency revenues	64,151
Miscellaneous	1,918,067
Total General Revenues	<u>193,167,775</u>
Change in net position	(6,543,285)
Net Position - Beginning of year	<u>(70,470,235)</u>
Net Position - End of Year	<u>\$ (77,013,520)</u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 74,801,287	\$ 40,285,271	\$ 16,420,498	\$ 131,507,056
Cash on hand and in banks	40,000	-	19,968	59,968
Cash with fiscal agent	-	-	13,322	13,322
Accounts receivable				
Federal and state governments	6,360,003	-	1,612,255	7,972,258
Miscellaneous	354,999	194,702	35,900	585,601
Inventories	212,706	-	75,423	288,129
Total Assets	<u>\$ 81,768,995</u>	<u>\$ 40,479,973</u>	<u>\$ 18,177,366</u>	<u>\$ 140,426,334</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 20,828,527	\$ 527,753	\$ 616,619	\$ 21,972,899
Unearned revenue	254,148	-	-	254,148
Total Liabilities	<u>21,082,675</u>	<u>527,753</u>	<u>616,619</u>	<u>22,227,047</u>
Fund Balances				
Nonspendable	252,706	-	79,420	332,126
Restricted	4,506,035	39,952,220	17,433,631	61,891,886
Assigned	41,427,579	-	47,696	41,475,275
Unassigned	14,500,000	-	-	14,500,000
Total Fund Balances	<u>60,686,320</u>	<u>39,952,220</u>	<u>17,560,747</u>	<u>118,199,287</u>
Total Liabilities and Fund Balances	<u>\$ 81,768,995</u>	<u>\$ 40,479,973</u>	<u>\$ 18,177,366</u>	<u>\$ 140,426,334</u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2019

Total fund balances - governmental funds \$ 118,199,287

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resource and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 24,672,494	
Art Collection	22,900	
Construction in Progress	1,928,907	
Depreciable assets, net	<u>164,614,121</u>	191,238,422

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated absences	(2,159,636)	
Certificates of Participation (COPS)	(22,630,000)	
General obligation bonds payable and related premium	(201,217,893)	
Other postemployment benefits other than pensions (OPEB)	(47,352,745)	
Net pension liability	<u>(192,927,572)</u>	(466,287,846)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred outflows - pension contributions	59,025,241	
Deferred outflows - OPEB	11,734,493	
Deferred inflows - pensions	<u>(8,260,195)</u>	62,499,539

An internal service funds is used by the District to cover the health and welfare insurance programs to the individual funds. The assets and liabilities should be included with governmental activities. The fund consists of: 18,980,367

Interest expense related to certificates of participation and general obligation bonds payable was incurred but not accrued through June 30, 2019. (1,643,289)

Total net position - governmental activities \$ (77,013,520)

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula sources:				
State apportionments	\$ 148,717,613	\$ -	\$ -	\$ 148,717,613
Local sources	22,389,110	-	-	22,389,110
Total local control funding formula sources	171,106,723	-	-	171,106,723
Federal sources	11,905,006	-	8,284,073	20,189,079
Other state sources	32,657,440	-	2,319,122	34,976,562
Other local sources	7,013,271	411,364	12,167,005	19,591,640
Total Revenues	<u>222,682,440</u>	<u>411,364</u>	<u>22,770,200</u>	<u>245,864,004</u>
Expenditures				
Instruction	132,246,133	-	1,252,918	133,499,051
Instruction - related services	32,725,141	-	380,027	33,105,168
Pupil services	15,582,560	-	10,328,191	25,910,751
Ancillary services	710,468	-	-	710,468
Enterprise activities	155,078	-	7,002	162,080
General administration	10,039,829	-	227,757	10,267,586
Plant services	26,629,335	5,944,308	230,774	32,804,417
Debt service	211,534	-	11,351,732	11,563,266
Total Expenditures	<u>218,300,078</u>	<u>5,944,308</u>	<u>23,778,401</u>	<u>248,022,787</u>
Excess (deficiency) of revenues over expenditures	<u>4,382,362</u>	<u>(5,532,944)</u>	<u>(1,008,201)</u>	<u>(2,158,783)</u>
Other Financing Sources (Uses)				
Interfund transfers in	4,187,988	-	2,885,396	7,073,384
Interfund transfers out	(7,073,384)	-	-	(7,073,384)
Proceeds from sale of bond	-	30,200,000	-	30,200,000
Total Other Financing Sources (Uses)	<u>(2,885,396)</u>	<u>30,200,000</u>	<u>2,885,396</u>	<u>30,200,000</u>
Net changes in fund balance	1,496,966	24,667,056	1,877,195	28,041,217
Fund Balances at Beginning of Year	<u>59,189,354</u>	<u>15,285,164</u>	<u>15,683,552</u>	<u>90,158,070</u>
Fund Balances at End of Year	<u>\$ 60,686,320</u>	<u>\$ 39,952,220</u>	<u>\$ 17,560,747</u>	<u>\$ 118,199,287</u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 28,041,217

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 9,691,760	
Depreciation expense	<u>(10,298,783)</u>	
Excess (deficiency) of capital outlay over depreciation expense		(607,023)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bond principal payments	6,856,642
Certificates of participation principal payments	220,000

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was:

Decrease in deferred outflows - pensions	(2,845,200)	
Increase in deferred inflows - pension	(1,458,480)	
Increase in net pension liability	<u>(5,945,316)</u>	(10,248,996)

Other postemployment benefits (OPEB): In governmental fund, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expense and actual employer OPEB contribution was:

Increase in deferred outflows - OPEB	11,734,493	
Increase in OPEB liability	<u>(10,175,871)</u>	1,558,622

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium discount, were: (30,496,089)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	1,244,399	
Net increase in accreted interest	(5,624,765)	
Net decrease in deferred change on refunding	(777,766)	
Net increase in compensated absences	(125,879)	
Net increase in premium on general obligation bonds	<u>(752,738)</u>	(6,036,749)

An internal service fund is used by the District to charge the costs of the health and welfare insurance programs to the individual funds. The net income/loss of the internal service fund is reported with governmental activities.

4,169,091

Change in net position of governmental activities \$ (6,543,285)

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2019**

	Governmental Activities: Internal Service Fund
	Self-Insurance Fund
<u>Assets</u>	
Cash in county	\$ 22,381,617
Cash with fiscal agent	2,821,446
Accounts receivable	
Miscellaneous	99,127
Total Assets	<u>25,302,190</u>
<u>Liabilities</u>	
Accounts payable	5,800,823
Estimated liability for open claims incurred but not recorded	521,000
Total Liabilities	<u>6,321,823</u>
<u>Net Position</u>	
Unrestricted	18,980,367
Total Net Position	<u>\$ 18,980,367</u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2019**

	Governmental Activities: Internal Service Fund
	<u>Self-Insurance Fund</u>
Operating Revenues	
Self-insurance premiums	\$ 28,636,884
Other operating revenues	<u>1,429,828</u>
Total Operating Revenues	<u>30,066,712</u>
Operating Expenditures	
Payments for health and welfare claims, premiums and administrative costs	<u>26,287,283</u>
Total Operating Expenditures	<u>26,287,283</u>
Net operating income	<u>3,779,429</u>
Non-Operating Revenues	
Interest income	<u>389,662</u>
Total Non-Operating Revenues	<u>389,662</u>
Net income	4,169,091
Net Position at Beginning of Year	<u>14,811,276</u>
Net Position at End of Year	<u>\$ 18,980,367</u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
June 30, 2019**

	Governmental Activities: Internal Service Fund <u>Self-Insurance Fund</u>
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	\$ 30,070,133
Cash paid for operating expenditures	<u>(26,283,521)</u>
Net cash provided by operating activities	<u>3,786,612</u>
 Cash Flows from Investing Activities	
Interest income	<u>412,746</u>
Net cash provided by investing activities	<u>412,746</u>
 Net increase in cash	4,199,358
 Cash - July 1, 2018	<u>21,003,705</u>
Cash - June 30, 2019	<u><u>\$ 25,203,063</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
 Operating Income	\$ 3,779,429
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	3,421
Accounts payable	<u>3,762</u>
Total adjustments	<u>7,183</u>
 Net cash provided by operating activities	 <u><u>\$ 3,786,612</u></u>
 Cash balances at June 30, 2018 consisted of the following:	
Cash in county treasury	\$ 22,381,617
Cash with fiscal agent	<u>2,821,446</u>
Total cash	<u><u>\$ 25,203,063</u></u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	Associated Student Body Funds
<u>Assets</u>	
Cash and cash equivalents	\$ 206,363
Inventory	<u>25,222</u>
Total Assets	<u>231,585</u>
<u>Liabilities</u>	
Funds held in trust	<u>119,589</u>
Total Liabilities	<u>119,589</u>
<u>Net Position</u>	
Unrestricted	<u>111,996</u>
Total Net Position	<u><u>\$ 111,996</u></u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2019

	Associated Student Body Funds
Additions	
Revenue from local sources	\$ 437,437
Total Additions	<u>437,437</u>
Deductions	
Other expenses	<u>344,285</u>
Total Deductions	<u>344,285</u>
Changes in net position	93,152
Net Position - Beginning of Year	<u>18,844</u>
Net Position - End of Year	<u><u>\$ 111,996</u></u>

See accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home to school transportation, food services, and other pupil services.

Ancillary Services: includes activities that are generally designed to provide students with experiences outside the regular school day.

Enterprise Activities: includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. This function is used with self-insurance funds and retiree benefit funds.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

The proprietary and fiduciary fund expenses are presented by natural classification.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund. The Adult Education Fund and Deferred Maintenance Fund do not meet the definition of a special revenue fund as it is not composed of restricted or committed revenue sources. Therefore, all activities of these funds are reported in the General Fund.

Building Fund: used to account for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bonds were issued.

Governmental Funds – Non-Major

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Child Development Fund: used to account for resources committed to child development programs.

Cafeteria Fund: used to account for revenues received and expenditures made to operate the District's cafeterias.

Capital Projects Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental fixed assets.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

County School Facilities Fund: used to account for the School Facility Program grants award for modernization and new construction of various school sites.

Special Reserve Fund for Capital Outlay Projects: used to account for specific board-approved capital expenditures.

Debt Service Funds: used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

Bond Interest and Redemption Fund: used to account for the payment of principal and interest on general long-term debt.

Proprietary Funds

Self-Insurance Fund

Internal Service Fund: used to account for services rendered on a cost-reimbursement basis within the District. The Internal Service Fund consists of three sub-funds as follows:

Workers' Compensation Fund: used to account for resources committed to the District's self-insurance program for workers' compensation.

Medical Fund: used to account for medical, dental and life insurance premiums for employees and their dependents.

Retiree Benefit Fund: used to account for resources committed for the payments of health and welfare benefits for retirees and future payments of the supplemental early retirement plan.

Fiduciary Funds

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates two Associated Student Body funds.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Agency Activities

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes, and other contributions. The District had cash in the county treasury amounting to (\$1,562,512) on June 30, 2019, which represents an advance on withholdings payable.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the county treasury is recorded at cost, which approximates fair value.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2019, the inventory for supplies is \$212,706. The inventory for food is \$75,423.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 10 years
Vehicles	6 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Charge on Refunding: A deferred charge 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 of the life of the refunded or refunding debt.

Deferred Outflows – OPEB: results from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans and the difference between expected and actual experience. Deferred outflows – OPEB will be deferred and amortized as detailed in Note 11 to the financial statements

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions results from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the respective pension and from the effects of actuarially-determined changes to the respective pension plan. Deferred outflows – pension will be amortized as detailed in Note 12 to the financial statements.

Unearned Revenue

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

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Premiums and discounts on issued debt are deferred and amortized over the life of the obligation using the straight-line method. Debt is reported net of the applicable premium and discount.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Pension Liability

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period. Deferred inflows – pension result from the effects of actuarially-determined changes to the respective pension plan. These amounts are amortized as detailed in Note 12 to the financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed funds at June 30, 2019.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to Assistant Superintendent of Business Services to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

Spending Order Policy

The District considers restricted and unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

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

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state in calculating the local control funding formula apportionment. Property taxes for debt service purposes cannot be estimated and have, therefore, not been accrued in the Government-wide financial statements.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. Additionally, during the fiscal year ended June 30, 2019, the State of California made additional one-time contributions to the State Teachers' Retirement System and to the California Public Employees' Retirement System. Contributions made during the fiscal year ended June 30, 2019 totaled \$13,185,742 and \$1,648,232, respectively. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, federal and most state and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

Estimates

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

Reporting Entity

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component unit has been included in the District's reporting entity:

The Paramount Unified School District Facilities Corporation: The financial activity has been blended in the District's Special Reserve Fund for Capital Outlay Projects. Certificates of Participation issued by the Corporation are included in the Statement of Net Position. Individually prepared financial statements are not prepared for the Corporation.

Based upon the application of the criteria listed above, the following potential component unit has been excluded in the District's reporting entity:

Various PTA, PTO and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not established a policy for custodial risk that follows requirements as set forth in Education Code 41002.5. As of June 30, 2019, \$2,932,337 of the District's bank balance of \$3,182,337 was exposed to credit risk.

Investments

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2019 is measured at 99.90% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 2: DEPOSITS AND INVESTMENTS

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

NOTE 3: BUDGETS

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 4: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Transfers

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

Interfund transfers for the 2018-19 fiscal year are as follows:

Transfer from the General Fund to the Deferred Maintenance Fund to address repairs, improvements and enhancements in all schools and district buildings.	\$ 4,187,988
Transfer from the General Fund to the Cafeteria Special revenue fund to support food services.	1,294,396
Transfer from the General Fund to the Capital Facilities Fund to support facility infrastructure planning.	750,000
Transfer from the General Fund to the Special Reserve Fund to support repayment of certificates of participation.	<u>841,000</u>
Total	<u>\$ 7,073,384</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 5: FUND BALANCES

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:				
Cash in revolving fund	\$ 40,000	\$ -	\$ 4,000	\$ 44,000
Inventories	212,706	-	75,420	288,126
Total nonspendable	252,706	-	79,420	332,126
Restricted:				
Legally restricted programs	4,506,035	-	715,766	5,221,801
Capital projects	-	39,952,220	4,830,810	44,783,030
Debt service	-	-	11,887,055	11,887,055
Total restricted	4,506,035	39,952,220	17,433,631	61,891,886
Assigned:				
Adult education program	1,376,205	-	-	1,376,205
Child development program	-	-	47,696	47,696
Other assignments	40,051,374	-	-	40,051,374
Total assigned	41,427,579	-	47,696	41,475,275
Unassigned:				
Economic uncertainties	14,500,000	-	-	14,500,000
Total unassigned	14,500,000	-	-	14,500,000
Total fund balance	\$ 60,686,320	\$ 39,952,220	\$ 17,560,747	\$ 118,199,287

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2019 is shown below.

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 24,672,494	\$ -	\$ -	\$ 24,672,494
Art collection	22,900	-	-	22,900
Construction in progress	-	1,928,907	-	1,928,907
Total capital assets not being depreciated	<u>24,695,394</u>	<u>1,928,907</u>	<u>-</u>	<u>26,624,301</u>
Capital assets being depreciated:				
Buildings	301,931,491	5,636,019	-	307,567,510
Equipment	14,182,167	2,126,834	-	16,309,001
Total capital assets being depreciated	<u>316,113,658</u>	<u>7,762,853</u>	<u>-</u>	<u>323,876,511</u>
Less accumulated depreciation for:				
Buildings	(137,464,055)	(9,700,718)	-	(147,164,773)
Equipment	(11,499,552)	(598,065)	-	(12,097,617)
Total accumulated depreciation	<u>(148,963,607)</u>	<u>(10,298,783)</u>	<u>-</u>	<u>(159,262,390)</u>
Depreciable assets, net	<u>167,150,051</u>	<u>(2,535,930)</u>	<u>-</u>	<u>164,614,121</u>
Governmental activities capital assets, net	<u>\$ 191,845,445</u>	<u>\$ (607,023)</u>	<u>\$ -</u>	<u>\$ 191,238,422</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 7: LONG-TERM OBLIGATIONS – SCHEDULE OF CHANGES

A schedule of changes in long-term obligations for the year ended June 30, 2019 is shown below.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due in One Year
General obligation bonds	\$134,801,516	\$ 30,496,089	\$ 6,856,642	\$158,440,963	\$ 7,617,988
Capital appreciation interest	33,069,506	5,624,765	-	38,694,271	-
Premium on general obligation bonds	3,329,921	1,565,641	812,903	4,082,659	-
Total general obligation bonds	171,200,943	37,686,495	7,669,545	201,217,893	7,617,988
Certificates of participation	22,850,000	-	220,000	22,630,000	270,000
Compensated absences	2,033,757	125,879	-	2,159,636	-
Other postemployee benefits other than pensions	37,176,874	10,175,871	-	47,352,745	4,645,328
Net pension liability	186,982,256	5,945,316	-	192,927,572	-
Total	<u>\$420,243,830</u>	<u>\$ 53,933,561</u>	<u>\$ 7,889,545</u>	<u>\$466,287,846</u>	<u>\$ 12,533,316</u>

Liabilities are liquidated by the General Fund for governmental activities, including certificates of participation, compensated absences, early retirement incentive, postemployment healthcare benefits, and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 8: LEASES

Operating Leases

The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2020	\$ 604,872
2021	151,218
Total	<u>\$ 756,090</u>

Current year expenditures for operating leases is approximately \$604,872. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 9: CERTIFICATES OF PARTICIPATION

1997 Facility Bridge Funding Program

On April 1, 1997, the District entered into a long-term lease agreement to provide for the financing of energy efficiency improvements to certain facilities owned by the District, and to finance the construction of a new elementary school. The agreement is between the Paramount Unified School District and the Paramount Unified School District Facilities Corporation, the “lessor” or “corporation.” The Paramount Unified District Facilities Corporation is a legally separate entity which was formed for the sole purpose of acquiring land and facilities and then leasing such items to the school District.

The Corporation’s funds for acquiring these items were generated by the issuance of \$9,900,000 of Certificates of Participation. Certificates of Participation are long-term debt instruments which are tax exempt and, therefore, issued at interest rates below current market levels for taxable investments.

2001 Facility Bridge Funding Program

The District entered into a certificate of participation agreement dated August 1, 2001 for \$26,000,000. The proceeds of \$25,718,305, after payment of costs and establishment of reserves, have been used in part to refund the District’s 1994 and 1995 Certificates of Participation (the “Certificates”), and part will be used to provide interim bridge financing for the acquisition of a site for Rosecrans Elementary School and the construction of additional facilities at the Paramount Park Elementary School pending the availability of State bond proceeds under the State’s Financial Hardship Program.

The proceeds associated with the refunding of the 1994 and 1995 Certificates, amounting to \$11,496,012, were deposited to an escrow account with the U.S. Bank Trust National Association on August 1, 2001, to purchase escrow securities. The refunding proceeds were held in trust until extinguishment of the debt. At June 30, 2007, the outstanding balance of the defeased debt has been fully paid by the escrow agent. The 1994 and 1995 refunded certificates are fully defeased and are not reflected on the financial statements.

2011 Certificates of Participation

The 1997 and 2001 Bridge Funding Programs were restructured under the 2012 Bridge Restructuring Program (the “2012 Program.”) The old 1997 and 2001 Bridge Certificates were fully paid off on March 1, 2012 from the proceeds of the 2012 Program. The District’s payments under the 2012 Bridge are deferred until December 1, 2014. The District’s interest rate during the deferred payment period is 1.92%. At the conclusion of the accreted interest period on

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 9: CERTIFICATES OF PARTICIPATION

December 1, 2014, the District will have the option to choose from the multiple interest rate options available under the 2012 Program including a Weekly Rate Model, Extended Rate Mode or Fixed Rate Mode. The 1.92% interest rate is only fixed through December 1, 2014. The District's interest rate will change after December 1, 2014, depending on the interest rate option selected by the District at that time.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 270,000	\$ 668,101
2021	310,000	777,175
2022	350,000	765,625
2023	390,000	752,675
2024	440,000	738,150
2025-2029	3,070,000	3,404,625
2030-2034	4,840,000	2,720,550
2035-2039	7,210,000	1,674,925
2040-2042	5,750,000	310,625
Total	<u>\$ 22,630,000</u>	<u>\$ 11,812,451</u>

The original proceeds were \$27,375,216. Accreted interest will add to principal until December 1, 2014. Net proceeds from the certificates are held by trustee. At June 30, 2016 \$2,739,516 was on deposit with the trustee. This amount represents funds available to repay the debt and is presented in these financial statements as cash with fiscal agent.

NOTE 10: GENERAL OBLIGATION BONDS

In April 1998 \$35,000,000 in general obligation bonds were authorized by an election held within the District. In August 1998, Series A, \$29,999,256 of general obligation bonds were issued. In October 2001, Series B, \$5,000,720 of general obligation bonds were issued. In March 2005, 2005 Refunding Bonds, \$26,745,000 were issued to refund portions of Series A and Series B.

The balance of the bonds refunded was \$37,310,000 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$777,765 was recognized during the year ended June 30, 2019.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 10: GENERAL OBLIGATION BONDS

In November 2006, \$100,000,000 in general obligation bonds were authorized by an election (Measure AA) held within the District. The bonds were authorized to finance acquisition, construction, and modernization of school facilities and paying related costs. The three issues of these bonds are detailed below.

In November 2016, \$106,000,000 in general obligation bonds were authorized by an election (Measure 2017) held within the District. The bonds were authorized to finance specific construction, repair and improvement projects approved by the voters of the District. General Obligation Bonds, Election 2016, Series 2017A was issued June, 2017 for \$25,670,000 with a premium of \$2,606,912 to be amortized at \$89,894 per year which began in 2018-19. March 27, 2019 General Obligation Bonds, Election of 2016, Series 2019B was issued with a premium of \$1,565,641 to be amortized at \$52,188 per year beginning in 2019-20.

The outstanding general obligation bonded debt of the District at June 30, 2019 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2019
Measure 1998:					
Series A	8/27/1998	9/1/2023	3.70-5.27	\$ 29,999,256	\$ 2,739,256
Series B	10/17/2001	9/1/2026	5.71-5.72	5,000,720	4,975,720
Total 1998				<u>34,999,976</u>	<u>7,714,976</u>
Measure 2006:					
Series 2011	11/29/2011	8/1/2046	2.00-12.00	34,044,316	33,601,383
Series 2013	12/11/2013	8/1/2051	2.00-12.00	33,953,515	32,638,515
2015 Refunding	6/23/2015	8/1/2032	2.00-5.00	37,310,000	31,145,000
Total 2006				<u>105,307,831</u>	<u>97,384,898</u>
Measure 2017:					
Series A	6/13/2017	8/1/2046	3.00-5.00	25,670,000	22,845,000
Series B	3/27/2019	8/1/2049	3.00-5.00	30,496,089	30,496,089
Total 2017				<u>56,166,089</u>	<u>53,341,089</u>
Total				<u>\$ 196,473,896</u>	<u>\$ 158,440,963</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 10: GENERAL OBLIGATION BONDS

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,			Accreted
	Principal	Interest	Interest
2020	\$ 7,617,988	\$ 3,844,707	\$ 367,012
2021	8,323,338	3,727,894	3,321,662
2022	4,491,302	3,519,369	3,673,698
2023	2,967,653	3,801,735	3,857,347
2024	3,246,495	4,473,270	3,813,505
2025-2029	18,747,167	22,796,175	13,422,833
2030-2034	25,518,358	19,331,975	10,136,642
2035-2039	16,188,999	17,015,203	39,668,024
2040-2044	22,257,174	16,019,832	56,434,293
2045-2049	45,913,904	4,969,204	53,717,265
2050-2052	3,168,585	-	38,362,149
Total	<u>\$ 158,440,963</u>	<u>\$ 99,499,364</u>	<u>\$ 226,774,430</u>

Capital appreciation bonds were issued as part of 1998 Series A with maturity dates from September 1st, 2020 through 2023. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$2,739,256 and accreted interest accreted of \$6,787,919 totaling \$9,527,175 has been reflected in the long-term debt balance.

Capital appreciation bonds were issued as part of 1998 Series B with maturity dates from September 1st, 2024 through 2027. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$4,975,720 and accreted interest accreted of \$8,151,732 totaling \$13,127,452 has been reflected in the long-term debt balance.

Capital appreciation bonds were issued as part of 2006 Series 2011 with maturity dates from August 1st, 2012 through 2046. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$33,601,383 and accreted interest accreted of \$13,359,033 totaling \$46,960,416 has been reflected in the long-term debt balance.

Capital appreciation bonds were issued as part of 2006 Series 2013 with maturity dates from August 1st, 2014 through 2051. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accreting through the applicable maturity

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 10: GENERAL OBLIGATION BONDS

date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$32,638,515 and accreted interest accreted of \$10,395,587 totaling \$43,034,102 has been reflected in the long-term debt balance.

Capital appreciation bonds were issued as part of 2017 Series B with maturity dates from August 1st, 2019 through 2049. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$30,496,089 and accreted interest accreted of \$-0- totaling \$30,496,089 has been reflected in the long-term debt balance.

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The District administers a single-employer defined benefit healthcare plan for qualified employees. As of June 30, 2019, the District's total liability for the post-employment healthcare benefits consisted of the following:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
OPEB Plan				
Retiree Benefits Plan	\$ 47,352,745	\$ 11,734,493	\$ -	\$ (1,558,622)

The details of the plan are as follows:

Plan Description and Eligibility

The plan provides medical, prescription drug, behavioral health, dental, and life insurance benefits to eligible active employees and retirees. The medical plans include the Anthem Blue Cross Classic 100 – A \$20 PPO and Kaiser HMO, offered through the Alliance of Schools for Cooperative Insurance Programs (ASCIP). Prescription drug and behavioral health benefits are provided as a package with the medical coverage. MES vision coverage is optional for Anthem PPO participants. Delta Dental PPO is offered to employees and retirees. Life insurance is offered through Reliance Standard. All coverages are either fully insured or self-insured on a pooled basis, and blended premiums for medical coverage apply to active employees and retirees under the age of 65.

Benefits are provided to all full-time Certificated, Management and Classified employees attaining age 55 with at least 10 years of qualifying District service will receive, for the period between retirement and age 6, a District contribution based towards medical, dental and life insurance. The District contribution is limited to an average of \$14,144 per year per retiree for 2018. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated periodically. The Retiree Health Plan does not issue a separate financial report.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Participant Type:	Number of Participants
Inactive plan members or beneficiaries currently receiving benefit payments	83
Active plan members	1,223
Total plan membership	1,306

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. District contributions range from 50-80% of the cost of current year premiums depending on the age of the retiree as applicable. For fiscal year ended June 30, 2019, the District contributed \$4,645,328 to the plan, which includes an implicit subsidy.

Total OPEB Liability

At June 30, 2019 the total OPEB liability was \$47,352,745.

Actuarial Methods and Assumptions

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation as of June 30, 2019. The following actuarial assumptions used in the June 30, 2019 measurement applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age, Level Percent of Pay
Salary Increases	3.00%
Inflation	3.00%
Healthcare Costs Trend Rate	6.00% for 2019; 5% by 2029

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Discount Rate

The discount rate used to measure the OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the expected benefit payments. Because the plan is unfunded, the discount rate reflects the required use of the Municipal GO Bond 20-Year High Grade Rate Index.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Changes in Assumptions

Since the most recent valuation, the following change has been made:

- The discount rate changed from 3.62% to 3.13%.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 37,176,874
Service cost	1,824,236
Interest cost	1,262,470
Changes in assumptions	1,957,376
Difference between expected and actual experience	9,777,117
Benefit payments	<u>(4,645,328)</u>
Balance at June 30, 2019	<u>\$ 47,352,745</u>

Sensitivity

The following presents the District's OPEB liability calculated using the discount rate of 3.13%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.13%) or 1 percentage-point higher (4.13%) than the current rate:

	Total OPEB Liability
Discount rate	
1% decrease (2.13%)	\$ 51,631,061
Current discount rate (3.13%)	47,352,745
1% increase (4.13%)	43,452,033

The following presents the District's OPEB liability calculated using the healthcare costs trend rate of 5.00%, as well as what the OPEB liability would be if it were calculated using a healthcare costs trend rate that is 1 percentage-point lower (4.00%) or 1 percentage-point higher (6.00%) than the current rate:

	Total OPEB Liability
Healthcare trend rate	
1% decrease (4%)	\$ 42,368,749
Current healthcare trend rate (5%)	47,352,745
1% increase (6%)	53,146,859

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Amortization of Deferred Outflows of Resources

At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Deferred Outflows and Inflows of Resources		
Difference between expected and actual experience	\$ 9,777,117	\$ -
Changes of assumptions or other inputs	1,957,376	-
Total	<u>\$ 11,734,493</u>	<u>\$ -</u>

The deferred outflows of resources related to the OPEB liability are amortized over the average working lifetime of active and inactive participants which was calculated at 8.69 years. This amount will be amortized to offset pension expense as follows:

Year Ending June 30,	Deferred Inflows of Resources
2020	\$ 1,289,504
2021	1,289,501
2022	1,289,504
2023	1,289,504
2024	1,289,504
Thereafter	5,286,976
	<u>\$ 11,734,493</u>

OPEB Expense

For the fiscal year ended June 30, 2019, the District's actuarially-determined OPEB expense is \$(1,558,622).

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2019, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as follows:

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 144,293,990	\$ 44,991,421	\$ 7,652,180	\$ 18,865,822
CalPERS (Schools Pool Plan)	48,633,582	14,033,820	608,015	10,207,269
Total	<u>\$ 192,927,572</u>	<u>\$ 59,025,241</u>	<u>\$ 8,260,195</u>	<u>\$ 29,073,091</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 12: EMPLOYEE RETIREMENT PLANS

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2019 are presented above and the total District contributions were \$14,613,581.

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

At June 30, 2019, 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:

	Balance June 30, 2019
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 144,293,990
State's proportionate share of the net pension liability associated with the District	82,615,463
Total	<u>\$ 226,909,453</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2018, the District's proportion was 0.1570%.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 12: EMPLOYEE RETIREMENT PLANS

For the year ended June 30, 2019, the District recognized pension expense of \$18,865,822. In addition, the District recognized revenue and corresponding expense of \$9,705,454 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 14,613,581	\$ -
Differences between expected and actual experience	447,450	2,095,950
Changes of assumptions	22,416,460	-
Changes in proportion	7,513,930	-
Net differences between projected and actual earnings on pension plan investments	-	5,556,230
Total	<u>\$ 44,991,421</u>	<u>\$ 7,652,180</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2018 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2020	\$ 7,106,548
2021	5,024,728
2022	1,238,670
2023	3,929,131
2024	5,108,862
2025	317,721
Total	<u>\$ 22,725,660</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. 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:

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 211,373,810
Current discount rate (7.10%)	144,293,990
1% increase (8.10%)	88,678,310

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 12: EMPLOYEE RETIREMENT PLANS

California Public Employees Retirement System (CalPERS)

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

Provisions and Benefits	Schools Pool Plan (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019 are as presented above and the total District contributions were \$4,622,482.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$48,633,582. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.1824%.

For the year ended June 30, 2019, the District recognized pension expense of \$10,207,269. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 4,622,482	\$ -
Differences between expected and actual experience	3,188,240	-
Changes of assumptions	4,855,849	-
Changes in proportion	968,344	608,015
Net differences between projected and actual earnings on pension plan investments	398,905	-
Total	<u>\$ 14,033,820</u>	<u>\$ 608,015</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 12: EMPLOYEE RETIREMENT PLANS

recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2018 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amount will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2020	\$ 5,523,789
2021	3,831,022
2022	(264,432)
2023	(287,056)
Total	<u>\$ 8,803,323</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 1997 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service

PARAMOUNT UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2019

NOTE 12: EMPLOYEE RETIREMENT PLANS

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90 percent of scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 70,808,170
Current discount rate (7.15%)	48,633,582
1% increase (8.15%)	30,236,587

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2018, the CalPERS Board adopted new mortality assumptions for the plan. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 13: INTERNAL SERVICE FUNDS

Self-Insurance:

The District has established a Self-Insurance Fund to account for the administration of the District's medical, dental and life insurance programs for District employees and their dependents.

Medical, dental and life insurance benefits are covered through regular commercial insurance carriers. Under this program and in compliance with labor agreements, the District provides coverage up to a maximum of \$14,034 through December 31, 2017 and \$14,736 beginning January 1, 2018 annually per eligible employee or retiree. Annual premiums in excess of the cap are the responsibility of the eligible employee or retiree at varying rates; one party, two party, and family.

All funds of the District participate in the programs and make payments to the Self-Insurance Fund based upon an amount negotiated by the Board of Education and the collective bargaining units of the District. The cost is allocated to the funds based upon the level of salaries paid from the fund.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 13: INTERNAL SERVICE FUNDS

Workers' Compensation:

The District established a Self-Insurance Fund to account for and finance its uninsured risks of loss for worker's compensation claims which was in effect between July 1, 2006 and June 30, 2009. The District continues to be responsible for past claims in this fund.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay claims and are charged to the respective funds.

At June 30, 2019, the District accrued the claims liability in accordance with GAAP which requires that a liability for claims be reported information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability is estimated at \$521,000 using a discount rate of 1.19% to 1.5%. Changes in the reported liability are shown below:

	Beginning Fiscal	Current Year Claims and Changes in		Ending Fiscal
Reported Liability	Year Liability	Estimates	Claim Payments	Year Liability
Worker's compensation	\$ 521,000	\$ (152,419)	\$ 152,419	\$ 521,000

NOTE 14: JOINT POWERS AGREEMENTS

The District participates in two joint powers agreement (JPA) entities, the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the California School Facilities Financing Authority.

ASCIP arranges for and provides property and liability insurance for its member school districts. The Paramount Unified School District pays a premium commensurate with the level of its property values and average daily attendance. The JPA also maintains programs for workers' compensation insurance. The Paramount Unified School District pays a premium based on a percentage of total payroll for the District's self-insurance program and for excess insurance.

The California School Facilities Financing Authority is an Agreement made pursuant to the Joint Powers Act providing the joint exercise of powers common to Azusa and Paramount Unified School Districts, and for other purposes as permitted under the Joint Powers Act and the Bond Law. The purpose of this agreement is to provide for the financing or refinancing of public capital improvements. Financial information is not readily available for the California School Facilities Financing Authority.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

NOTE 14: JOINT POWERS AGREEMENTS

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed current financial information of the JPA is as follows:

	ASCIP (Audited) June 30, 2018
JPA Condensed Financial Information	
Total assets	\$ 454,668,010
Total liabilities	251,584,695
Fund balance	203,083,315
Total revenues	259,307,983
Total expenditures	251,547,168

NOTE 15: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

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

State School Building Lease-Purchase and County School Facilities Funds

The District is currently involved in several construction and modernization projects funded through the Office of Public School Construction. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

REQUIRED SUPPLEMENTARY INFORMATION

PARAMOUNT UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND For the Fiscal Year Ended June 30, 2019

	Budgetary Amounts - General		(a) Fund Basis		
	Fund		Actual Amounts	to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
Local control funding formula sources:					
State apportionments	\$ 153,413,121	154,552,407	\$ 148,717,613	\$ -	\$ 148,717,613
Local sources	<u>15,900,473</u>	<u>15,900,473</u>	<u>22,389,110</u>	<u>-</u>	<u>22,389,110</u>
Total local control funding formula sources:	169,313,594	170,452,880	171,106,723	-	171,106,723
Federal sources	9,371,366	11,683,655	11,174,113	730,893	11,905,006
Other state sources	11,909,394	13,791,442	26,577,315	6,080,125	32,657,440
Other local sources	<u>2,501,896</u>	<u>2,641,880</u>	<u>6,822,626</u>	<u>190,645</u>	<u>7,013,271</u>
Total Revenues	<u>193,096,250</u>	<u>198,569,857</u>	<u>215,680,777</u>	<u>7,001,663</u>	<u>222,682,440</u>
Expenditures					
Certificated salaries	86,784,964	90,154,996	89,346,031	1,438,577	90,784,608
Classified salaries	24,364,341	25,977,245	27,448,008	910,103	28,358,111
Employee benefits	44,379,048	45,263,319	58,402,367	813,599	59,215,966
Books and supplies	19,797,994	18,558,002	8,297,301	375,117	8,672,418
Services and other operating expenditures	21,631,761	25,710,924	22,283,852	4,587,360	26,871,212
Capital outlay	4,150,000	4,824,673	3,669,865	592,343	4,262,208
Other outgo	88,000	88,000	211,534	-	211,534
Direct support - indirect cost	<u>(196,235)</u>	<u>(212,047)</u>	<u>(179,624)</u>	<u>103,645</u>	<u>(75,979)</u>
Total Expenditures	<u>200,999,873</u>	<u>210,365,112</u>	<u>209,479,334</u>	<u>8,820,744</u>	<u>218,300,078</u>
Excess (deficiency) of revenues over expenditures	<u>(7,903,623)</u>	<u>(11,795,255)</u>	<u>6,201,443</u>	<u>(1,819,081)</u>	<u>4,382,362</u>
Other Financing Sources (Uses)					
Interfund transfers in	-	-	-	4,187,988	4,187,988
Interfund transfers out	<u>(5,778,988)</u>	<u>(7,073,384)</u>	<u>(7,073,384)</u>	<u>-</u>	<u>(7,073,384)</u>
Total Other Financing Sources (Uses)	<u>(5,778,988)</u>	<u>(7,073,384)</u>	<u>(7,073,384)</u>	<u>4,187,988</u>	<u>(2,885,396)</u>
Net change in fund balances	<u>\$ (13,682,611)</u>	<u>\$ (18,868,639)</u>	<u>(871,941)</u>	<u>2,368,907</u>	<u>1,496,966</u>
Fund Balance - Beginning of Year			<u>57,058,666</u>	<u>2,130,688</u>	<u>59,189,354</u>
Fund Balance - End of Year			<u>\$ 56,186,725</u>	<u>\$ 4,499,595</u>	<u>\$ 60,686,320</u>

(a) amounts presented are the result of the District including activity of the Adult Education Fund and Deferred Maintenance Fund.
(See note 1)

See the accompanying notes to the required supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
For the Fiscal Year Ended June 30, 2019**

Total OPEB Liability	2018	2019
Balance - beginning of year	\$ 35,719,261	\$ 37,176,874
Service cost	1,550,438	1,824,236
Interest cost	1,268,614	1,262,470
Difference between expected and actual experience		9,777,117
Changes in assumptions	-	1,957,376
Benefit payments	(1,361,439)	(4,645,328)
Balance - end of year	<u>\$ 37,176,874</u>	<u>\$ 47,352,745</u>
Covered-employee payroll	\$111,658,074	\$118,932,174
Total OPEB liability as a percentage of covered-employee payroll	33.30%	39.81%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY For the Fiscal Year Ended June 30, 2019

State Teachers' Retirement System - State Teacher's Retirement Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.1390%	0.1490%	0.1520%	0.1540%	0.1570%
District's proportionate share of the net pension liability	\$ 81,227,430	\$ 100,312,760	\$ 122,939,120	\$ 142,419,200	\$ 144,293,990
State's proportionate share of the net pension liability associated with the District	49,049,122	53,054,250	69,997,352	84,254,682	82,615,463
Total	<u>\$ 130,276,552</u>	<u>\$ 153,367,010</u>	<u>\$ 192,936,472</u>	<u>\$ 226,673,882</u>	<u>\$ 226,909,453</u>
District's covered payroll	\$ 62,000,000	\$ 69,000,000	\$ 76,000,000	\$ 84,000,000	\$ 86,000,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131%	145%	162%	170%	168%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	69%	71%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.1694%	0.1788%	0.1800%	0.1867%	0.1824%
District's proportionate share of the net pension liability	\$ 19,231,025	\$ 26,355,296	\$ 35,550,111	\$ 44,563,056	\$ 48,633,582
District's covered payroll	\$ 17,000,000	\$ 19,000,000	\$ 21,000,000	\$ 23,000,000	\$ 25,000,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	113%	139%	169%	194%	195%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%	71%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS For the Fiscal Year Ended June 30, 2019

State Teachers' Retirement System - State Teacher's Retirement Plan	2015	2016	2017	2018	2019
Contractually required contribution	\$ 5,882,398	\$ 8,241,555	\$ 10,361,332	\$ 12,402,043	\$ 14,613,581
Contributions in relation to the contractually required contributions	<u>5,882,398</u>	<u>8,241,555</u>	<u>10,361,332</u>	<u>12,402,043</u>	<u>14,613,581</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 69,000,000	\$ 76,000,000	\$ 84,000,000	\$ 86,000,000	\$ 89,700,000
Contributions as a percentage of its covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019
Contractually required contribution	\$ 2,551,579	\$ 2,558,526	\$ 3,303,662	\$ 3,813,322	\$ 4,622,482
Contributions in relation to the contractually required contributions	<u>2,551,579</u>	<u>2,558,526</u>	<u>3,303,662</u>	<u>3,813,322</u>	<u>4,622,482</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 19,000,000	\$ 21,000,000	\$ 23,000,000	\$ 25,000,000	\$ 25,600,000
Contributions as a percentage of its covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal yearend, actual amounts at fiscal yearend, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedule of Changes in the Total OPEB Liability

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pension.

Changes in Benefit terms and Assumptions used:

Benefit changes – No change.

Changes of Assumptions:

- Decreased the discount rate from 3.6% to 3.13% to reflect the long-term rate of return on OPEB plan investments.
- Health care trend rate increased from 5.0% to 6.0% to better reflect increased medical costs.
- Actuarial cost method was changed from projected unit credit to entry-age normal to align with the requirements of GASB 75.

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019**

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund.

Classified Salaries	\$1,470,763
Employee benefits	13,139,048 *
Other Outgo	123,534
Direct Support – Indirect Costs	32,423

* The excess of expenditures over appropriatens for employee benefits occurred primarily due to additional on-behalf payments made by the State of California to the State Teachers' Retirement Plan and the Public Employees' Retirement Plan that were not budgeted.

SUPPLEMENTARY INFORMATION

PARAMOUNT UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2019

The Paramount Unified School District was established in 1953 and is comprised of an area of approximately 6.7 square miles located in Los Angeles County. It encompasses the City of Paramount and portion of the Cities of Long Beach, Lakewood, South Gate, Downey and Bellflower. The District operates nine K-5, one K-8, one 4-8, three 6-8, one high school with two campuses, one adult school and one campus with continuation and independent study programs.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2019 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Carmen Gomez	President	November 30, 2022
Ms. Yesenia Cuarenta	Vice President/Clerk	November 30, 2022
Ms. Sonia De Leon	Member	November 30, 2022
Ms. Linda Garcia	Member	November 30, 2020
Ms. Vivian Hansen	Member	November 30, 2020

DISTRICT ADMINISTRATORS

Dr. Ruth Perez	Superintendent
Mr. Ruben P. Frutos	Assistant Superintendent, Business Services
Dr. Deborah Stark	Assistant Superintendent, Education Services
Dr. Ryan Smith	Assistant Superintendent, Secondary Education
Dr. Myrna Morales	Assistant Superintendent, Human Resources
Ms. Patricia Tu	Director, Fiscal Services

PARAMOUNT UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)

For the Fiscal Year Ended June 30, 2019

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2019 are as follows:

	Revised Second Period	Annual
Grades Transitional Kindergarten through third:		
Regular ADA	3,897	3,900
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	6	7
Total grades transitional kindergarten through third ADA	<u>3,905</u>	<u>3,909</u>
Grades four through six:		
Regular ADA	3,082	3,071
Special education - nonpublic, nonsectarian schools	11	13
Extended year special education - nonpublic, nonsectarian schools	2	2
Total grades four through six ADA	<u>3,095</u>	<u>3,086</u>
Grades seven and eight:		
Regular ADA	2,455	2,457
Special education - nonpublic, nonsectarian schools	5	6
Community day school	3	3
Total grades seven and eight ADA	<u>2,463</u>	<u>2,466</u>
Grades nine through twelve:		
Regular ADA	4,687	4,655
Extended year special education	3	3
Special education - nonpublic, nonsectarian schools	7	6
Extended year special education - nonpublic, nonsectarian school	1	1
Community day school	12	14
Total grades nine through twelve ADA	<u>4,710</u>	<u>4,679</u>
Total ADA	<u><u>14,173</u></u>	<u><u>14,140</u></u>

See the accompanying notes to the supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2019**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	44,416	180	In Compliance
Grade 1	50,400	51,088	180	In Compliance
Grade 2	50,400	51,088	180	In Compliance
Grade 3	50,400	51,088	180	In Compliance
Grade 4	54,000	54,760	180	In Compliance
Grade 5	54,000	54,760	180	In Compliance
Grade 6	54,000	54,845	180	In Compliance
Grade 7	54,000	54,845	180	In Compliance
Grade 8	54,000	54,845	180	In Compliance
Grade 9	64,800	65,190	180	In Compliance
Grade 10	64,800	65,190	180	In Compliance
Grade 11	64,800	65,190	180	In Compliance
Grade 12	64,800	65,190	180	In Compliance

See the accompanying notes to the supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Fiscal Year Ended June 30, 2019

		Pass-Through	
	Federal Catalog	Entity Identifying	Total Program
Program Name	Number	Number	Expenditures
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
Child Nutrition Program-National School Lunch Program	10.555	13396	\$ 5,647,987
Child Nutrition Program-Especially Needy Breakfast	10.553	13526	1,495,818
Child Nutrition Program-Summer Food Service Program	10.559	13004	192,501
Child Nutrition Program-Meal Supplements	10.555	13396	198,106
Child Nutrition Program - Commodities	10.555	13396	634,885
Subtotal: Child Nutrition Cluster			8,169,297
Child Care Food Programs Cluster:			
Child Care Food Program Claims-Centers and Family Day			
Care Homes (Meal Reimbursements)	10.558	13393	127,357
Child Care Food Program-Cash In-Lieu of Commodity	10.558	13389	475
Subtotal: Child Care Food Programs Cluster			127,832
Total: United States Department of Agriculture			8,297,129
United States Department of Defense			
Reserve Officer Training Corp (ROTC)	12.000	(1)	108,023
Total: United States Department of Defense			108,023
United States Department of Education			
Pass-Through Program From California Department of Education:			
Special Education Cluster:			
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	457
IDEA Preschool Staff Development, Part B, Age 3-4-5	84.173	13430	69,004
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,892,088
IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	170,874
Subtotal: Special Education Cluster			3,132,423
Adult Education: Adult Secondary Education	84.002	13978	94,050
Adult Education: Adult Basic Education and ESL	84.002A	14508	201,069
Adult Education: Citizenship	84.002A	14109	168,777
Subtotal: Adult Education			463,896
Carl D. Perkins Career and Technical Education, Adults	84.048	14893	266,997
Carl D. Perkins Career and Technical Education, Secondary	84.048	14894	150,762
Subtotal: Carl D. Perkins			417,759

See the accompanying notes to the supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2019

Program Name	Federal Catalog Number	Pass-Through	
		Entity Identifying Number	Total Program Expenditures
Every Student Succeeds Act:			
Title I, Part A - Low Income and Neglected	84.010	14329	5,216,632
Title II, Part A - Improving Teacher Quality	84.367	14341	555,691
Title III - Limited English Proficiency	84.365	14346	772,090
Title IV Part A - Student Support	84.424	15396	51,015
Subtotal: Every Student Succeeds Act			6,595,428
Total: United States Department of Education			10,609,506
United States Department of Health and Human Services			
Pass-Through Program From California Department of Education:			
Medi-Cal Billing Option	93.778	10013	204,623
Medi-Cal Administrative Activities	93.778	10060	132,094
Total: United States Department of Health and Human Services			336,717
Total Federal Programs			<u>\$ 19,351,375</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 19,351,375
Revenues in excess of expenditures related to Federal Entitlements:			
Child Care Food Program Claims-Centers and Family Day			
Care Homes (Meal Reimbursement)	10.558	13393	(18,100)
Child Care Food Programs-Cash In-Lieu of Commodity	10.558	13389	5,043
Medi-Cal Billing Option	93.778	10013	(35,339)
Medi-Cal Administrative Activities	93.778	10060	886,100
Total Federal Program Revenue			<u>\$ 20,189,079</u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

Of the federal expenditures presented in the schedule, the District provided federal awards to the subrecipients as follows:

Carl D. Perkins Career and Technical Education, Adults	84.048	14893	<u>\$ 266,872</u>
Total Amount Provided to Subrecipients			<u>\$ 266,872</u>

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$634,885 of commodities under the National School Lunch Program (CFDA 10.555).

PARAMOUNT UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Fiscal Year Ended June 30, 2019

	<u>2020 (Budgeted)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total revenues	\$ 192,871,252	\$ 215,680,777	\$ 188,751,569	\$ 185,270,821
Total expenditures	209,105,290	209,479,334	179,782,086	175,017,167
Interfund transfers out	<u>5,750,148</u>	<u>7,073,384</u>	<u>5,034,897</u>	<u>1,545,000</u>
Change in fund balance	(21,984,186)	(871,941)	3,934,586	8,708,654
Ending fund balance	<u>\$ 34,202,539</u>	<u>\$ 56,186,725</u>	<u>\$ 57,058,666</u>	<u>\$ 53,124,081</u>
Available reserve	<u>\$ 18,616,451</u>	<u>\$ 14,500,000</u>	<u>\$ 14,763,900</u>	<u>\$ 15,385,626</u>
Available reserve %	9%	7%	8%	9%
ADA	<u>14,126</u>	<u>14,173</u>	<u>14,628</u>	<u>14,809</u>
Total long term obligations	<u>\$ 453,754,530</u>	<u>\$ 466,287,846</u>	<u>\$ 420,243,830</u>	<u>\$ 337,642,002</u>

The amounts above are those reported as General Fund in the Annual Financial and Budget Report and do not include special revenue funds included in the General Fund of the governmental funds' financial statements.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund.

All percentages are of total expenditures.

The 2020 budget is the original budget adopted in June 2019.

For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2019, the District has met this requirement.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2019**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT WITH
THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019**

There were no differences between the fund balance reported on the June 30, 2019 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has not met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PARAMOUNT UNIFIED SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

The *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

The *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

PARAMOUNT UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS June 30, 2019

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<u>Assets</u>							
Cash in county treasury	\$ 648,951	\$ (928,713)	\$ 4,269,991	\$ 272,440	\$ 270,773	\$ 11,887,056	\$ 16,420,498
Cash on hand and in banks	-	19,968	-	-	-	-	19,968
Cash with fiscal agent	-	-	-	-	13,322	-	13,322
Accounts receivable							
Federal and state governments	209,681	1,402,574	-	-	-	-	1,612,255
Miscellaneous	3,896	-	28,270	1,524	2,210	-	35,900
Inventories	-	75,423	-	-	-	-	75,423
Total Assets	<u>\$ 862,528</u>	<u>\$ 569,252</u>	<u>\$ 4,298,261</u>	<u>\$ 273,964</u>	<u>\$ 286,305</u>	<u>\$ 11,887,056</u>	<u>\$ 18,177,366</u>
<u>Liabilities and Fund Balances</u>							
Liabilities							
Accounts payable	\$ 99,066	\$ 489,832	\$ 13,881	\$ 13,840	\$ -	\$ -	\$ 616,619
Total Liabilities	<u>99,066</u>	<u>489,832</u>	<u>13,881</u>	<u>13,840</u>	<u>-</u>	<u>-</u>	<u>616,619</u>
Fund Balances							
Nonspendable	-	79,420	-	-	-	-	79,420
Restricted	715,766	-	4,284,380	260,124	286,305	11,887,056	17,433,631
Assigned	47,696	-	-	-	-	-	47,696
Total Fund Balances	<u>763,462</u>	<u>79,420</u>	<u>4,284,380</u>	<u>260,124</u>	<u>286,305</u>	<u>11,887,056</u>	<u>17,560,747</u>
Total Liabilities and Fund Balances	<u>\$ 862,528</u>	<u>\$ 569,252</u>	<u>\$ 4,298,261</u>	<u>\$ 273,964</u>	<u>\$ 286,305</u>	<u>\$ 11,887,056</u>	<u>\$ 18,177,366</u>

See the accompanying notes to the optional supplementary information

PARAMOUNT UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues							
Federal sources	\$ 114,776	\$ 8,169,297	\$ -	\$ -	\$ -	\$ -	\$ 8,284,073
Other state sources	1,699,357	558,358	-	-	-	61,407	2,319,122
Other local sources	15,159	33,967	256,692	6,141	6,738	11,848,308	12,167,005
Total Revenues	<u>1,829,292</u>	<u>8,761,622</u>	<u>256,692</u>	<u>6,141</u>	<u>6,738</u>	<u>11,909,715</u>	<u>22,770,200</u>
Expenditures							
Instruction	1,252,918	-	-	-	-	-	1,252,918
Instruction - related services	380,027	-	-	-	-	-	380,027
Pupil services	-	10,328,191	-	-	-	-	10,328,191
Enterprise activities	-	7,002	-	-	-	-	7,002
General administration	75,979	-	151,778	-	-	-	227,757
Plant services	12,569	41,934	120,684	55,587	-	-	230,774
Other Outgo	-	-	-	-	887,888	10,463,844	11,351,732
Total Expenditures	<u>1,721,493</u>	<u>10,377,127</u>	<u>272,462</u>	<u>55,587</u>	<u>887,888</u>	<u>10,463,844</u>	<u>23,778,401</u>
Excess (deficiency) of revenues over expenditures	<u>107,799</u>	<u>(1,615,505)</u>	<u>(15,770)</u>	<u>(49,446)</u>	<u>(881,150)</u>	<u>1,445,871</u>	<u>(1,008,201)</u>
Other Financing Sources							
Interfund transfers in	-	1,294,396	750,000	-	841,000	-	2,885,396
Total Other Financing Sources	<u>-</u>	<u>1,294,396</u>	<u>750,000</u>	<u>-</u>	<u>841,000</u>	<u>-</u>	<u>2,885,396</u>
Net changes in fund balance	107,799	(321,109)	734,230	(49,446)	(40,150)	1,445,871	1,877,195
Fund Balances at Beginning of Year	<u>655,663</u>	<u>400,529</u>	<u>3,550,150</u>	<u>309,570</u>	<u>326,455</u>	<u>10,441,185</u>	<u>15,683,552</u>
Fund Balances at End of Year	<u>\$ 763,462</u>	<u>\$ 79,420</u>	<u>\$ 4,284,380</u>	<u>\$ 260,124</u>	<u>\$ 286,305</u>	<u>\$ 11,887,056</u>	<u>\$ 17,560,747</u>

See the accompanying notes to the optional supplementary information

PARAMOUNT UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2019

	Paramount High School	Paramount High School West	Odyssey STEM Academy	Total Associated Student Body Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 202,789	\$ 2,272	\$ 1,202	\$ 206,263
Petty Cash	-	100	-	100
Inventory	-	25,222	-	25,222
Total Assets	<u>202,789</u>	<u>27,594</u>	<u>1,202</u>	<u>231,585</u>
<u>Liabilities</u>				
Funds held in trust	<u>117,318</u>	<u>2,271</u>	<u>-</u>	<u>119,589</u>
Total Liabilities	<u>117,318</u>	<u>2,271</u>	<u>-</u>	<u>119,589</u>
<u>Net Position</u>				
Unrestricted	<u>85,471</u>	<u>25,323</u>	<u>1,202</u>	<u>111,996</u>
Total Net Position	<u>\$ 85,471</u>	<u>\$ 25,323</u>	<u>\$ 1,202</u>	<u>\$ 111,996</u>

See the accompanying notes to the optional supplementary information

PARAMOUNT UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Fiscal Year Ended June 30, 2019

	Paramount High School	Paramount High School West	Odyssey STEM Academy	Total Associated Student Body Funds
Additions				
Revenue from local sources	\$ 393,282	\$ 42,953	\$ 1,202	\$ 437,437
Total Additions	<u>393,282</u>	<u>42,953</u>	<u>1,202</u>	<u>437,437</u>
Deductions				
Other expenses	<u>301,098</u>	<u>43,187</u>	<u>-</u>	<u>344,285</u>
Total Deductions	<u>301,098</u>	<u>43,187</u>	<u>-</u>	<u>344,285</u>
Changes in net position	92,184	(234)	1,202	93,152
Net Position - Beginning of Year	<u>(6,713)</u>	<u>25,557</u>	<u>-</u>	<u>18,844</u>
Net Position - End of Year	<u>\$ 85,471</u>	<u>\$ 25,323</u>	<u>\$ 1,202</u>	<u>\$ 111,996</u>

See the accompanying notes to the optional supplementary information

PARAMOUNT UNIFIED SCHOOL DISTRICT
NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds and fiduciary funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITORS' REPORT



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

Board of Education
Paramount Unified School District
Paramount, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paramount Unified School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP
Glendora, California
December 12, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Education
Paramount Unified School District
Paramount, California

Report on Compliance for Each Major Federal Program

We have audited Paramount Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Purpose of this Report

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 12, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Paramount Unified School District
Paramount, California

We have audited the Paramount Unified School District's (the District) compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No ¹
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	Yes
California Clean Energy Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	No ²
Mode of Instruction	No ²
Nonclassroom Based Instruction/Independent Study	No ²
Determination of Funding for Nonclassroom Based Instruction	No ²
Annual Instructional Minutes – Classroom Based	No ²
Charter School Facility Grant Program	No ²

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²The District is not the granting agency for any Charter Schools.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP
Glendora, California
December 12, 2019

FINDINGS AND QUESTIONED COSTS

PARAMOUNT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? *Yes* X *No*

Significant deficiency(ies) identified? *Yes* X *None Reported*

Noncompliance material to financial statements noted? *Yes* X *No*

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? *Yes* X *No*

Significant deficiency(ies) identified? *Yes* X *None Reported*

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? *Yes* X *No*

Identification of Major Federal Programs:

CFDA Number(s) Name of Federal Program or Cluster

84.365 Title III, Limited English Proficient Student Program

84.010 Title I Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X *Yes* *No*

PARAMOUNT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2019

All audit findings must be identified as one or more of the following thirteen categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements for the fiscal year ended June 30, 2019.

PARAMOUNT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2019.

PARAMOUNT UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2019

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2019.

PARAMOUNT UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2019

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:

[Date of Delivery]

Paramount Unified School District
Paramount, California

Paramount Unified School District
(Los Angeles County, California)
General Obligation Refunding Bonds, Series 2020 (Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Paramount Unified School District (the “District”), which is located in the County of Los Angeles (the “County”), in connection with the issuance by the District of \$66,756,012.30 aggregate initial principal amount of Paramount Unified School District (Los Angeles County, California) General Obligation Refunding Bonds, Series 2020 (Federally Taxable) (the “Refunding Bonds”) pursuant to a resolution of the Board of Education of the District adopted on September 14, 2020 (the “Resolution”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, an opinion of counsel to the District, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Refunding Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Refunding Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Refunding Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Refunding Bonds and the Resolution and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion

in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the Refunding Bonds or in the Resolution. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated November 18, 2020, or other offering material relating to the Refunding Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Refunding Bonds constitute valid and binding obligations of the District.
2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.
3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Refunding Bonds and the interest thereon.
4. Interest on the Refunding Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds.

Faithfully yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Paramount Unified School District (the “District”) in connection with the issuance of \$66,756,012.30 aggregate initial principal amount of Paramount Unified School District (Los Angeles County, California) General Obligation Refunding Bonds, Series 2020 (Federally Taxable) (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on September 14, 2020 (the “District Resolution”). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the District Resolution, 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 hereof.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“County” shall mean the County of Los Angeles.

“Dissemination Agent” shall mean California Financial Services, 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” shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and Section 5(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated November 18, 2020 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

“Participating Underwriter” shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which due date shall be April 1 of each year, so long as the District’s fiscal year ends on June 30), commencing with the report for the 2019-20 Fiscal Year (which is due not later than April 1, 2021), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, 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 a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 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 MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year.

- (ii) The District's average daily attendance for the last completed fiscal year.
- (iii) The District's outstanding debt.
- (iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.
- (v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District, if and to the extent provided to the District by the County.
- (vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

Any or all of the items listed above may be set forth in one or a set of documents or 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 made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, in a timely manner not later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers or their failure to perform;
- (v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes;
- (ix) bankruptcy, insolvency, receivership or similar event of the District; or
- (x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), 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) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) 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;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect Bond holders.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in subsection 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Section (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the District Resolution.

(d) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such 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 initial Dissemination Agent shall be California Financial Services.

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

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

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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 a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, 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 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 or any other event required to be reported.

Section 11. 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 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an event of default under the District Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: December 10, 2020

**PARAMOUNT UNIFIED SCHOOL
DISTRICT**

By: _____

ACCEPTED AND AGREED TO:

**CALIFORNIA FINANCIAL SERVICES,
AS DISSEMINATION AGENT**

By: _____
Authorized Signatory

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: **PARAMOUNT UNIFIED SCHOOL DISTRICT**

Name of Issue: Paramount Unified School District (Los Angeles County, California)
General Obligation Refunding Bonds, Series 2020 (Federally Taxable)

Date of Issuance: December 10, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated December 10, 2020. [The District anticipates that the Annual Report will be filed by _____.]

Dated:_____

**[PARAMOUNT UNIFIED SCHOOL
DISTRICT/DISSEMINATION AGENT]**

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APPENDIX E

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the “Treasurer”) of the County of Los Angeles (the “Treasurer”) manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County’s Treasury Pool (the “Treasury Pool”) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is <http://ttc.lacounty.gov>, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the “Treasurer”) of the County of Los Angeles (the “County”) has the delegated authority to invest funds on deposit in the County Treasury (the “Treasury Pool”). As of September 30, 2020, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	\$12.927
Schools and Community Colleges	15.832
Discretionary Participants	3.594
Total	<u>\$32.353</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	88.89%
Discretionary Participants:	
Independent Public Agencies	10.70
County Bond Proceeds and Repayment Funds	0.41
Total	<u>100.00%</u>

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 31, 2020, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the “Investment Report”) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated October 30, 2020, the September 30, 2020, book value of the Treasury Pool was approximately \$32.353 billion, and the corresponding market value was approximately \$32.421 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer’s Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor’s staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County’s outside independent auditor (the “External Auditor”) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2020:

Type of Investment	% of Pool
Certificates of Deposit	8.19%
U.S. Government and Agency Obligations	61.17
Bankers Acceptances	0.00
Commercial Paper	30.23
Municipal Obligations	0.09
Corporate Notes & Deposit Notes	0.32
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00%

The Treasury Pool is highly liquid. As of September 30, 2020, approximately 48% of the investments mature within 60 days, with an average of 688 days to maturity for the entire portfolio.

Neither the District nor the Underwriter has made an independent investigation of the investments in the Treasury Pool or made an assessment of the current Investment Policy. The value of the various investments in the Treasury 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 County may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein.

APPENDIX F

COUNTY OF LOS ANGELES INVESTMENT POLICY

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KEITH KNOX

TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437, Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and propertytax.lacounty.gov

Board of Supervisors

HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

39 March 31, 2020

CELIA ZAVALA
EXECUTIVE OFFICER

March 17, 2020

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

DELEGATION OF AUTHORITY TO INVEST AND ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR INVESTMENT POLICY (ALL DISTRICTS) (3-VOTES)

SUBJECT

Delegation of authority to invest and reinvest County funds and funds of other depositors in the County Treasury to the Treasurer, and adoption of the Treasurer and Tax Collector Investment Policy

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate the authority to the Treasurer to invest and reinvest County funds and funds of other depositors in the County Treasury.
2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions allow the Treasurer to continue to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. On March 19, 2019, pursuant to Government Code (GC) Section 27000.1, and subject to GC Section 53607, your Board delegated to the Treasurer the annual authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury. GC Section 27000.1 states that subsequent to your Board's delegation, the County treasurer shall thereafter assume full responsibility for those transactions until your Board either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in GC Section 53607. This action requests renewal of the annual delegation.

GC Section 53646 permits your Board to annually approve the Investment Policy. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. These objectives align with those in State law. Each year, my office reviews the Investment Policy to ensure that it aligns with any changes in the GC.

Based on our analysis, we do not recommend any changes to the body of the Investment Policy. However, we recommend an update to Attachment I-d, Minimum Credit Ratings – Commercial Paper. Pursuant to GC 53601(h), the Treasurer may only purchase commercial paper from issuers whose commercial paper has short-term credit ratings of at least “A-1” or its equivalent, and whose other debt instruments, if any, have long-term credit ratings of at least “A” or its equivalent, by a Nationally Recognized Statistical Rating Organization.

We recommend assigning the standing commercial paper maximum issuer limit of \$1.5 billion to all issuers who meet the minimum credit rating criteria set forth in the GC. The commercial paper maximum issuer limit remains at \$1.5 billion, which is well below the 10% portfolio limit established by GC 53601. This recommended change offers more flexibility in purchasing commercial paper while retaining the investment parameters set forth in the GC.

We have also provided the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings in Attachment II.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

FISCAL IMPACT/FINANCING

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to GC Section 27000.1, your Board may delegate by ordinance the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer. On January 23, 1996, your Board adopted Ordinance 96-0007 adding Los Angeles County Code Section 2.52.025, which delegated such authority to the Treasurer, subject to annual renewal pursuant to GC Section 53607. GC 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This GC Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

The Honorable Board of Supervisors

3/17/2020

Page 3

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K Knox', with a stylized, cursive script.

KEITH KNOX

Treasurer and Tax Collector

KK:NI:DJJ:JK:bp

Enclosures

c: Chief Executive Officer
Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Los Angeles County Office of Education
Los Angeles Community College District

**COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY**

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution

on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed \$500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, and III (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 2.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 36 months' average total cash and investments, after adjustments, as indicated in Attachment II.

Business Continuity Plan

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread disaster. The BCP includes written guidelines to perform critical Treasury functions, contact information for key personnel, authorized bank representatives and broker/dealers. The plan provides for an offsite location in the event the Treasurer's offices are uninhabitable. The Treasurer's Office implemented its BCP in 2007.

The Treasurer's Office shall perform regularly scheduled BCP exercises at the offsite location. To prepare Treasury staff for emergency processing, staff shall participate in the BCP exercises on a rotating basis.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to

establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or his authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.

- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealers Section

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

- A. Broker/Dealers with minimum capitalization of \$500 million and who meet all five of the below listed criteria:
 - 1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
 - 2. Be a member of the Financial Industry Regulatory Authority and;
 - 3. Be registered with the Securities and Exchange Commission and;
 - 4. Have been in operation for more than five years; and

5. Have a minimum annual trading volume of \$100 billion in money market instruments or \$500 billion in United States (U.S.) Treasuries and Agencies.

B. Emerging firms that meet all of the following:

1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;
2. Maintain office(s) in California and;
3. Maintain a minimum capitalization of \$250,000 and, at the time of application, have a maximum capitalization of no more than \$10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

- A. Confirmation of daily trade transactions and all open trades in effect at month-end.
- B. Response to auditor requests for confirmation of investment transactions.
- C. Response to the Internal Controls Branch requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding \$100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the U.S. Government, its agencies and instrumentalities

1. Maximum maturity: None.
2. Maximum total par value: None.
3. Maximum par value per issuer: None.
4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment III)

1. Maximum maturity: As limited in Attachment III.
2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.
2. Maximum total par value: 20% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
4. All Asset-Backed securities must be rated in a rating category of "AA" or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

D. Bankers' Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
 - a) The total shareholders' equity of depository bank.
 - b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Must be issued by:
 - a) National or State-chartered bank, or
 - b) Savings association or Federal association, or
 - c) Federal or State credit union, or
 - d) Federally licensed or State-licensed branch of a foreign bank.
5. Euro CD's:
 - a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.
 - b) Maximum total par value: 10% of the PSI portfolio.
 - c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
 - d) Limited to London branch of National or State-chartered banks.
6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:
 - a) The total shareholders' equity of depository bank.
 - b) The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.
2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Notes MUST be issued by:
 - a) Corporations organized and operating within the U.S.
 - b) Depository institutions licensed by the U.S or any State and operating within the U.S.
5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 million par value may be greater than five years to maturity.
2. Maximum total par value: 10% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.
4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.
5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:
 - a) Specific basis for the benchmark rate.
 - b) Specific computation for the benchmark rate.
 - c) Specific reset period.

d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.
2. Maximum total par value: 40% of the PSI portfolio.
3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer's current credit rating.
4. Credit: Issuing Corporation - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
 - a) The entity meets the following criteria:
 - 1) Is organized and operating in the U.S. as a general corporation.
 - 2) Has total assets in excess of \$500 million.
 - 3) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a NRSRO.
 - b) The entity meets the following criteria:
 - 1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.
 - 2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 - 3) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by

diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

- a) Attained the highest possible rating by not less than two NRSROs.
- b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars (\$500,000,000).

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

- 2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.
- 3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
 - a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - b) The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.
 - c) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

J. Repurchase Agreement

- 1. Maximum maturity: 30 days.
- 2. Maximum total par value: \$1 billion.

3. Maximum par value per dealer: \$500 million.
4. Agreements must be in accordance with approved written master repurchase agreement.
5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.
2. Maximum total par value: \$500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Maximum par value per broker: \$250 million.
4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.
5. Agreements SHALL only be made for the purpose of enhancing investment revenue.
6. Agreements must be in accordance with approved written master repurchase agreement.
7. Securities eligible to be sold with a simultaneous agreement to repurchase

SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.
11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.
2. Maximum aggregate par value: \$100 million.
3. Maximum par value per counterparty: \$50 million. Counterparties for Forward

and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated "A" or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.
5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed \$100,000 for each occurrence or exceed a total of \$250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.
6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.
7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.
8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating.

Further, the counterparty to such an agreement SHALL be rated "A" or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated "A" or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.
2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.
3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.
4. Agreements SHALL only be made for the purpose of enhancing investment revenue.
5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.
6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.
7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.
8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

O. Supranationals

Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of "AA" or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer's current credit rating.
2. Maximum total par value: 30% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-a.

**MINIMUM CREDIT RATING
DOMESTIC ISSUERS**

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P	Moody's	Fitch	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM
		A-1/AA	P-1/Aa	F1/AA	\$600MM
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	\$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$450MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-b.

**MINIMUM CREDIT RATING
FOREIGN ISSUERS**

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P	Moody's	Fitch	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM
		A-1/AA	P-1/Aa	F1/AA	\$450MM
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	\$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	\$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	\$300MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

- (1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).
- (2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of \$100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-c.

**MINIMUM CREDIT RATING
SUPRANATIONAL ISSUERS**

Issuer Rating (1)			Investment Limit (2)
S&P	Moody's	Fitch	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).
- (2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-d.

**MINIMUM CREDIT RATING
COMMERCIAL PAPER**

Maximum Maturity	Issuer Rating (1) (2)			Investment Limit (3)
	S&P	Moody's	Fitch	
270 days	A-1	P-1	F1	\$1.5 Billion

Notes:

- (1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).
- (2) If an issuer has a long-term rating, it must be rated in a rating category of "A" or its equivalent or higher.
- (3) Maximum combined par value for all issuers is limited to 40% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT II

**LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual \$)**

Average Investment Balance and Available Cash (1)	\$30,486,126,816
Less:	
▪ 50% of Discretionary Deposits (1)	(\$1,231,644,816.98)
Average Available Balance	\$29,954,481,999
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	\$21,940,861,499
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	\$7,313,620,500
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	\$14,627,241,000

(1) 36 Month Average from January 2017 to December 2019.

(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of "A3" (Moody's) or "A-" (S&P or Fitch). The maximum maturity is limited to 30 years.
2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody's rating of "MIG-1" or "A2" or a minimum S&P rating of "SP-1" or "A." Maximum maturity limited to five years.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and 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 the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Refunding Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

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APPENDIX H

TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

Date	TERM CABS due 2041 3.722%	TERM CABS due 2047 3.842%
12/10/2020	\$2,335.45	\$1,814.05
2/1/2021	2,347.70	1,823.85
8/1/2021	2,391.40	1,858.90
2/1/2022	2,435.90	1,894.60
8/1/2022	2,481.20	1,931.00
2/1/2023	2,527.40	1,968.10
8/1/2023	2,574.40	2,005.90
2/1/2024	2,622.35	2,044.45
8/1/2024	2,671.15	2,083.70
2/1/2025	2,720.85	2,123.75
8/1/2025	2,771.50	2,164.55
2/1/2026	2,823.05	2,206.10
8/1/2026	2,875.60	2,248.50
2/1/2027	2,929.10	2,291.70
8/1/2027	2,983.60	2,335.70
2/1/2028	3,039.15	2,380.60
8/1/2028	3,095.70	2,426.30
2/1/2029	3,153.30	2,472.90
8/1/2029	3,212.00	2,520.40
2/1/2030	3,271.80	2,568.85
8/1/2030	3,332.65	2,618.20
2/1/2031	3,394.70	2,668.50
8/1/2031	3,457.85	2,719.75
2/1/2032	3,522.20	2,772.00
8/1/2032	3,587.75	2,825.25
2/1/2033	3,654.55	2,879.50
8/1/2033	3,722.55	2,934.85
2/1/2034	3,791.80	2,991.20
8/1/2034	3,862.40	3,048.65
2/1/2035	3,934.25	3,107.25
8/1/2035	4,007.50	3,166.95
2/1/2036	4,082.05	3,227.75
8/1/2036	4,158.05	3,289.75
2/1/2037	4,235.40	3,352.95
8/1/2037	4,314.25	3,417.40
2/1/2038	4,394.55	3,483.05
8/1/2038	4,476.30	3,549.95
2/1/2039	4,559.60	3,618.15
8/1/2039	4,644.45	3,687.65
2/1/2040	4,730.90	3,758.50
8/1/2040	4,818.95	3,830.70
2/1/2041	4,908.65	3,904.25
8/1/2041	5,000.00	3,979.25
2/1/2042		4,055.70
8/1/2042		4,133.60
2/1/2043		4,213.05
8/1/2043		4,293.95
2/1/2044		4,376.45
8/1/2044		4,460.50
2/1/2045		4,546.20
8/1/2045		4,633.55
2/1/2046		4,722.55
8/1/2046		4,813.25
2/1/2047		4,905.75
8/1/2047		5,000.00

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APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA 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



ACCREDITED VALUE

ENDORSEMENT TO

**MUNICIPAL BOND
INSURANCE POLICY**

NO.

Re: Bonds Maturing on

It is further understood that with respect to the Bonds maturing on the dates referenced above, the amount insured under this Policy is that portion of the accreted value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILDAMERICA 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