**NEW ISSUE—FULL BOOK-ENTRY**

**INSURED RATINGS: Moody's: "A2"; S&P: "AA"**
**UNDERLYING RATINGS: Moody's: "Aa3"; S&P: "A+"**
**(See "MISCELLANEOUS – Ratings" herein)**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.*

# $96,910,000
# PASADENA UNIFIED SCHOOL DISTRICT
# (Los Angeles County, California)
# 2019 General Obligation Refunding Bonds
# (Federally Taxable)

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

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined will have the meanings assigned thereto as provided in the Official Statement.*

The Pasadena Unified School District (Los Angeles County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds") are being issued by the Pasadena Unified School District (the "District") to (i) advance refund a portion of the District's outstanding 2008 Election General Obligation Bonds, Series 2012 and (ii) pay the costs of issuance of the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Los Angeles County (the "County") is empowered and obligated to annually levy such *ad valorem* property taxes without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on May 1 and November 1 of each year, commencing May 1, 2020.

The Bonds are issuable as fully registered bonds in denominations of $5,000 principal amount or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of Los Angeles County to act as Paying Agent for the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

**The Bonds are not subject to optional redemption prior to their respective maturity dates. The Bonds are subject to mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption" herein.**

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**Maturity Schedule**

(see inside front cover page)

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*The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about September 11, 2019.*

RBC® Capital Markets

Dated: August 28, 2019

## MATURITY SCHEDULE

**Base CUSIP[(†)]: 702282**

**$96,910,000**
**PASADENA UNIFIED SCHOOL DISTRICT**
**(Los Angeles County, California)**
**2019 General Obligation Refunding Bonds**
**(Federally Taxable)**

**$56,265,000 Serial Bonds**

| Maturity (May 1) | Principal Amount | Interest Rate | Yield | CUSIP[(†)] Suffix |
|---|---|---|---|---|
| 2020 | $2,640,000 | 1.720% | 1.720% | PX6 |
| 2021 | 1,460,000 | 1.770 | 1.770 | PY4 |
| 2022 | 1,485,000 | 1.722 | 1.722 | PZ1 |
| 2023 | 5,195,000 | 1.724 | 1.724 | QA5 |
| 2024 | 5,285,000 | 1.824 | 1.824 | QB3 |
| 2025 | 5,380,000 | 1.973 | 1.973 | QC1 |
| 2026 | 5,490,000 | 2.073 | 2.073 | QD9 |
| 2027 | 5,600,000 | 2.218 | 2.218 | QE7 |
| 2028 | 5,725,000 | 2.318 | 2.318 | QF4 |
| 2029 | 5,860,000 | 2.368 | 2.368 | QG2 |
| 2030 | 6,000,000 | 2.468 | 2.468 | QH0 |
| 2031 | 6,145,000 | 2.568 | 2.568 | QJ6 |

**$40,645,000 – 2.881% Term Bonds due May 1, 2037 – Yield: 2.881% – CUSIP[(†)] Suffix: QN7**

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(†) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the District, the Municipal Advisor or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of 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 issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy 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 provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 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 COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "THE BONDS – Bond Insurance" herein and "Appendix F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

**PASADENA UNIFIED SCHOOL DISTRICT**

**Board of Education**

Lawrence Torres, *President, District 6*
Patrick Cahalan, *Vice President, District 4*
Scott Phelps, *Clerk, District 7*
Roy Boulghourjian, *Member, District 2*
Kimberly Kenne, *Member, District 1*
Elizabeth Pomeroy, *Member, District 5*
Michelle Richardson Bailey, *Member, District 3*

**District Administration**

Brian McDonald, Ed.D., *Superintendent*
Nelson Cayabyab, *Chief Facilities Officer*
Leslie Barnes, Ed.D., *Chief Business Officer*

**PROFESSIONAL SERVICES**

**Bond Counsel and Disclosure Counsel**

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

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.
*Irvine, California*

**Paying Agent and Transfer Agent**

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

**Escrow Agent**

U.S. Bank National Association
*Los Angeles, California*

**Escrow Verification**

Causey Demgen & Moore P.C.
*Denver, Colorado*

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**$96,910,000**
**PASADENA UNIFIED SCHOOL DISTRICT**
**(Los Angeles County, California)**
**2019 General Obligation Refunding Bonds (Federally Taxable)**

## INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Pasadena Unified School District (Los Angeles County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) in the principal amount of $96,910,000 (the "Bonds").

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

### Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement on August 21, 2019, the District received the assessed valuation of the property within the District for fiscal year 2019-20. The assessed valuation has been updated throughout the Official Statement, including under "- The District," "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations," and "PASADENA UNIFIED SCHOOL DISTRICT – Introduction" herein.

### The District

The Pasadena Unified School District (the "District") was formed in 1874 and unified in 1944 and covers approximately 76 square miles within Los Angeles County (the "County"), including the cities of Pasadena and Sierra Madre. The District currently operates 19 elementary schools, five middle schools, four comprehensive high schools, one continuation school, and one drop out recovery school. For fiscal year 2019-20, the District has an assessed valuation of $44,518,072,619 and the District's average daily attendance ("ADA") is budgeted to be 15,040 students.

The District is governed by a seven-member Board of Education (the "Board"), each member of which is elected by the voters within the seven trustee areas making up the District. The Board members serve four-year terms and elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Brian McDonald, Ed.D. is currently serving as the Superintendent of the District. See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "PASADENA UNIFIED SCHOOL DISTRICT" herein for more information regarding the District generally.

### Purpose of the Bonds

The Bonds are being issued by the District to (i) advance refund a portion of the District's outstanding 2008 Election General Obligation Bonds, Series 2012 (the "2008 Series 2012 Bonds") and (ii) pay the costs of issuance of the Bonds. The 2008 Series 2012 Bonds to be refunded with proceeds of the Bonds are referred to herein as the "Refunded Bonds."

Concurrently with the issuance of the Bonds, the District will enter into an escrow agreement (the "Escrow Agreement") with U.S. Bank National Association, as escrow agent (the "Escrow Agent"), pursuant to which the District will deposit the net proceeds of the Bonds into the Escrow Fund (as defined herein) held pursuant thereto, such proceeds to be used to purchase certain Federal Securities (as defined herein), the maturing principal of which, together with interest and earnings thereon, and any other proceeds of the Bonds held as cash, will be sufficient to pay the redemption price of the Refunded Bonds on May 1, 2022, such date being the first optional redemption date therefor, as well as the interest due on the Refunded Bonds on and prior to such date. See "THE BONDS – Application and Investment of Bond Proceeds" herein.

**Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to a resolution adopted by the Board. See "THE BONDS – Authority for Issuance" herein.

**Sources of Payment for the Bonds**

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

For more complete information regarding the District's financial condition and taxation of property within the District, see "THE BONDS – Security and Sources of Payment," "PASADENA UNIFIED SCHOOL DISTRICT" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

**Description of the Bonds**

***Form and Registration.*** The Bonds will be issued in fully registered form only, without coupons, and will mature on May 1 in the years indicated on the inside cover page hereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "THE BONDS – Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (as defined herein). See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

**So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the captions "INTRODUCTION – Tax Matters" and "TAX MATTERS" herein and in "APPENDIX A" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.**

***Denominations.*** Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount, or any integral multiple thereof.

***Redemption.*** The Bonds are not subject to optional redemption prior to their respective maturity dates. The Bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates as further described herein. See "THE BONDS – Redemption" herein.

***Payments.*** The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each May 1 and November 1, commencing May 1, 2020 (each, a "Bond Payment Date"). Principal of the Bonds is payable on May 1 of each year, as shown on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by the designated paying agent, registrar and transfer agent (the "Paying Agent") to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds. U.S. Bank National Association, Los Angeles, California, has been appointed as agent of the Treasurer and Tax Collector of the County (the "Treasurer") to act as Paying Agent for the Bonds.

***Bond Insurance.*** The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. ("AGM"). See "THE BONDS – Bond Insurance" herein.

**Tax Matters**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS" herein.

**Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about September 11, 2019.

**Bond Owner's Risks**

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, see "TAX BASE FOR REPAYMENT OF BONDS" herein.

**Continuing Disclosure**

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of listed events is summarized below under "LEGAL MATTERS – Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

**Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman, Rolapp &

Associates, Inc., Irvine, California is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Fieldman, Rolapp & Associates, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds. In addition to acting as Paying Agent, U.S. Bank National Association will act as Escrow Agent (the "Escrow Agent") for the Refunded Bonds. Certain matters are being passed upon for the Underwriter (as defined herein) by Norton Rose Fulbright US LLP, Los Angeles, California. Causey Demgen & Moore P.C. is acting as Verification Agent (as defined herein) with respect to the Bonds and the Refunded Bonds.

**Forward Looking Statements**

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

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

**Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Pasadena Unified School District, 351 South Hudson Avenue, Room 106, Pasadena, California 91109, telephone: (626) 396-3600. The District may impose a charge for copying, mailing and handling.

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

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and pursuant to a resolution adopted by the Board on August 1, 2019 (the "Resolution").

### Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representation that such a reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolution, which fund is required to be segregated and maintained by the County and which is designated for the payment of the principal of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds, as the same become due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

***Considerations Regarding Bond Insurance.*** In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of such insured Bonds may have a claim under the Policy (as defined herein) secured in connection with the Bonds. The Policy may not insure against redemption premium, if any, with respect to the Bonds.

In the event AGM is unable to make payments of principal of or interest on the Bonds, as such payments become due under the Policy, such Bonds will be payable solely as otherwise described herein. In the event that AGM becomes obligated to make payments with respect to the Bonds, no assurance can be given that such event would not adversely affect the market price of such Bonds or the marketability or liquidity of such Bonds.

As a result of obtaining the Policy, the long-term ratings on the Bonds will be dependent in part on the financial strength of AGM and its claims paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the Bonds insured by AGM will not be subject to downgrade, and such event could adversely affect the market price of the Bonds, or the marketability or liquidity for such Bonds.

None of the District, Municipal Advisor, or Underwriter have made independent investigations into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds, and the claims paying ability of AGM, particularly over the life of the investment.

**Bond Insurance**

***Bond Insurance Policy.*** Concurrently with the issuance of the Bonds, AGM will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix G 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.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings.*

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

*Capitalization of AGM.*

At June 30, 2019:

- The policyholders' surplus of AGM was approximately $2,530 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,082 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

*Incorporation of Certain Documents by Reference.*

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

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

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

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

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

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

*Miscellaneous Matters.*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "THE BONDS – Bond Insurance" herein.

### Statutory Lien

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

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and 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 XIIIA of the State 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 such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

### General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. See "– Book Entry Only System" herein. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing May 1, 2020. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before April 15, 2020, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof and mature on May 1, in the years and amounts set forth on the inside front cover hereof.

***Payment.*** Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds.

**Annual Debt Service**

The following table shows the annual debt service requirements of the District for the Bonds (assuming no optional redemptions).

**ANNUAL DEBT SERVICE**

| Period Ending May 1 | Annual Principal Payment | Annual Interest Payment[1] | Total Debt Service |
|---|---|---|---|
| 2020 | $2,640,000.00 | $1,517,540.86 | $4,157,540.86 |
| 2021 | 1,460,000.00 | 2,329,873.36 | 3,789,873.36 |
| 2022 | 1,485,000.00 | 2,304,031.36 | 3,789,031.36 |
| 2023 | 5,195,000.00 | 2,278,459.66 | 7,473,459.66 |
| 2024 | 5,285,000.00 | 2,188,897.86 | 7,473,897.86 |
| 2025 | 5,380,000.00 | 2,092,499.46 | 7,472,499.46 |
| 2026 | 5,490,000.00 | 1,986,352.06 | 7,476,352.06 |
| 2027 | 5,600,000.00 | 1,872,544.36 | 7,472,544.36 |
| 2028 | 5,725,000.00 | 1,748,336.36 | 7,473,336.36 |
| 2029 | 5,860,000.00 | 1,615,630.86 | 7,475,630.86 |
| 2030 | 6,000,000.00 | 1,476,866.06 | 7,476,866.06 |
| 2031 | 6,145,000.00 | 1,328,786.06 | 7,473,786.06 |
| 2032 | 6,305,000.00 | 1,170,982.46 | 7,475,982.46 |
| 2033 | 6,480,000.00 | 989,335.40 | 7,469,335.40 |
| 2034 | 6,670,000.00 | 802,646.60 | 7,472,646.60 |
| 2035 | 6,865,000.00 | 610,483.90 | 7,475,483.90 |
| 2036 | 7,060,000.00 | 412,703.26 | 7,472,703.26 |
| 2037 | 7,265,000.00 | 209,304.66 | 7,474,304.66 |
| Totals | $96,910,000.00 | $26,935,274.60 | $123,845,274.60 |

[1] Interest payments on the Bonds will be made semiannually on May 1 and November 1 of each year, commencing May 1, 2020.

See "PASADENA UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" herein for a complete debt service schedule of all of the District's outstanding general obligation bonded debt.

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## Application and Investment of Bond Proceeds

The Bonds are being issued by the District to (i) advance refund the Refunded Bonds and (ii) pay the costs of issuance of the Bonds. The Refunded Bonds to be refunded and the 2008 Series 2012 Bonds to remain outstanding and unrefunded (the "Unrefunded Bonds") are listed in the following tables.

**REFUNDED BONDS**
**Pasadena Unified School District**
**2008 Election General Obligation Bonds, Series 2012**

| Maturity Date (May 1) | CUSIP† | Principal Amount | Redemption Date | Redemption Price (% of Principal Amount) |
|---|---|---|---|---|
| 2023 | 702282MD3 | $4,045,000 | 5/1/2022 | 100% |
| 2024 | 702282ME1 | 4,250,000 | 5/1/2022 | 100 |
| 2025 | 702282MF8 | 4,460,000 | 5/1/2022 | 100 |
| 2026 | 702282MG6 | 4,685,000 | 5/1/2022 | 100 |
| 2027 | 702282MH4 | 4,920,000 | 5/1/2022 | 100 |
| 2028 | 702282MJ0 | 5,165,000 | 5/1/2022 | 100 |
| 2029 | 702282MK7 | 5,425,000 | 5/1/2022 | 100 |
| 2030 | 702282ML5 | 5,695,000 | 5/1/2022 | 100 |
| 2031 | 702282MM3 | 5,980,000 | 5/1/2022 | 100 |
| 2032 | 702282MN1 | 6,280,000 | 5/1/2022 | 100 |
| 2034 | 702282MP6 | 13,510,000 | 5/1/2022 | 100 |
| 2037 | 702282MQ4 | 22,715,000 | 5/1/2022 | 100 |

**UNREFUNDED BONDS**
**Pasadena Unified School District**
**2008 Election General Obligation Bonds, Series 2012**

| Maturity Date (May 1) | CUSIP† | Principal Amount |
|---|---|---|
| 2020 | 702282MA9 | $4,810,000 |
| 2021 | 702282MB7 | 3,670,000 |
| 2022 | 702282MC5 | 3,855,000 |

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CGS, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds and Refunded Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and Refunded Bonds.

Escrow Fund. The net proceeds from the sale of the Bonds will be deposited with the Escrow Agent, to the credit of the "Pasadena Unified School District 2019 General Obligation Refunding Bonds (Federally Taxable) Escrow Fund" (the "Escrow Fund"). Pursuant to the Escrow Agreement, the amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the "Federal Securities"), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded Bonds on May 1, 2022, such date being the first optional redemption date therefor, as well as the interest due on the Refunded Bonds on and prior to such date. Amounts deposited into the Escrow Fund under the Escrow Agreement are not available to pay any other obligations of the District.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to refund the Refunded Bonds as described above will be verified by Causey Demgen & Moore P.C., as the verification agent (the "Verification Agent"). See "LEGAL MATTERS – Escrow Verification" herein.

Debt Service Fund. Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds will be transferred to and accounted for in the fund designated as the "Pasadena Unified School District 2019 General Obligation Refunding Bonds (Federally Taxable) Debt Service Fund" (the "Debt Service Fund") and used by the District only for payment of principal of and interest on the Bonds and for no other purpose. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued will be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. Pursuant to the Resolution, the District has pledged monies on deposit in the Debt Service Fund to the payment of the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District.

***Investment of Proceeds.*** Funds on deposit in the Escrow Fund will be invested as described above. Moneys in the Debt Service Fund are expected to be invested through the County's pooled investment fund. See "APPENDIX E - LOS ANGELES COUNTY TREASURY POOL" attached hereto.

**Redemption**

***Optional Redemption.*** The Bonds are not subject to optional redemption prior to their respective maturity dates.

***Mandatory Redemption.*** The Bonds maturing on May 1, 2037 (the "Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on May 1 of each year, on and after May 1, 2032, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor, and the final principal payment date are as indicated in the following table:

| **Redemption Date (May 1)** | **Principal Amount** |
|---|---|
| 2032 | $6,305,000 |
| 2033 | 6,480,000 |
| 2034 | 6,670,000 |
| 2035 | 6,865,000 |
| 2036 | 7,060,000 |
| 2037[1] | 7,265,000 |

[1] Final maturity.

***Selection of Bonds for Redemption***. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select the Bonds for redemption as directed by the District, and if not so directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent will determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

***Notice of Redemption***. When optional redemption is authorized or required pursuant to the Resolution, upon written instruction from the District, the Paying Agent will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) provide such Redemption Notice to such other persons as may otherwise be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

"Securities Depository" means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such transfer.

***Conditional Notice of Redemption.*** With respect to any notice of optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds (or portions thereof) shall be deemed to have been defeased as described in "—Defeasance" herein, such notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will, within a reasonable time thereafter (but in no event later than the date originally set for redemption), give notice to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice by written notice to the Paying Agent on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such Redemption Notice was originally provided.

***Partial Redemption of Bonds.*** Upon the surrender of any Bond redeemed in part only, the Paying Agent will authenticate and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered (the "Transfer Amount"). Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

***Effect of Notice of Redemption.*** Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "—Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust, so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

***Bonds No Longer Outstanding.*** When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity pursuant to the Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof and accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

**Book-Entry Only System**

*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 neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of principal of, or interest or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.*

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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," and together with the Direct Participants, the "Participants"). DTC has a S&P (as defined herein) 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying

Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to the Owners thereof.

**Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds**

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

*In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.*

The principal of the Bonds and any interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

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

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

**Defeasance**

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon, and redemption premium, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations, together with cash and amounts transferred from the Debt Service Fund, if any, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof and interest thereon, and redemption premium, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District with respect to such designated outstanding Bonds will cease and terminate, except only the obligation of an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest, by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), or Moody's Investors Service ("Moody's").

## ESTIMATED SOURCES AND USES OF FUNDS

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

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of Bonds | $96,910,000.00 |
| Total Sources | $96,910,000.00 |
| | |
| **Uses of Funds** | |
| Escrow Fund | $96,129,345.34 |
| Costs of Issuance(1) | 441,469.66 |
| Underwriting discount | 339,185.00 |
| Total Uses | $96,910,000.00 |

(1) Reflects the costs of issuance of the Bonds to be paid from proceeds of the Bonds, including, but not limited to, legal fees, municipal advisory fees, bond insurance premium, printing costs, rating agencies fees, the costs and fees of the Paying Agent, Escrow Agent and Verification Agent, and other costs of issuance of the Bonds.

## TAX BASE FOR REPAYMENT OF BONDS

*The information in this section describes* ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from* ad valorem *property taxes levied and collected by the County on taxable property in the District, which taxes are unlimited as to rate or amount. The District's general fund is not a source for the repayment of the Bonds.*

### *Ad Valorem* Property Taxation

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

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

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment, plus any additional amount determined by the tax-collecting authority of the County. After the second installment of taxes on the secured roll is delinquent, the tax-collecting authority of the County will collect a cost of $10 for preparing the delinquent tax records and giving notice of the delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Tax Levies, Collections and Delinquencies" herein.

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

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

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

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**Assessed Valuations**

Property within the District has a total assessed valuation for fiscal year 2019-20 of $44,518,072,619. The following table shows the 10-year history of assessed valuations in the District.

**ASSESSED VALUATIONS**
**Fiscal Years 2009-10 through 2018-19**
**Pasadena Unified School District**

| | Local Secured | Utility | Unsecured | Total |
|---|---|---|---|---|
| 2009-10 | $27,726,641,475 | $114,558 | $688,262,323 | $28,415,018,356 |
| 2010-11 | 28,034,720,739 | 132,830 | 651,081,817 | 28,685,935,386 |
| 2011-12 | 28,719,211,680 | 132,830 | 613,217,400 | 29,332,561,910 |
| 2012-13 | 29,333,354,459 | 132,830 | 617,722,419 | 29,951,209,708 |
| 2013-14 | 30,872,879,022 | 132,830 | 629,741,920 | 31,502,753,772 |
| 2014-15 | 32,603,961,333 | 132,830 | 664,033,652 | 33,268,127,815 |
| 2015-16 | 34,702,990,048 | 132,830 | 657,639,937 | 35,360,762,815 |
| 2016-17 | 36,468,031,490 | 185,436 | 680,076,542 | 37,148,293,468 |
| 2017-18 | 39,060,515,862 | 185,436 | 692,561,019 | 39,753,262,317 |
| 2018-19 | 41,385,832,173 | 185,436 | 712,720,883 | 42,098,738,492 |
| 2019-20 | 43,791,670,969 | 185,436 | 726,216,214 | 44,518,072,619 |

*Source: California Municipal Statistics, Inc.*

Economic and other factors beyond the District's control, such as a general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, flood, fire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

***Appeals and Adjustments of Assessed Valuations.*** Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by county assessors, will not significantly reduce the assessed valuation of property within the District.

***Assembly Bill 102.*** On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

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### Assessed Valuations and Parcels by Land Use

The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19.

**ASSESSED VALUATION AND PARCELS BY LAND USE**
**Fiscal Year 2018-19**
**Pasadena Unified School District**

| Non-Residential: | 2018-19 Assessed Valuation[(1)] | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Commercial | $7,612,248,423 | 18.39% | 2,929 | 4.73% |
| Vacant Commercial | 350,526,963 | 0.85 | 338 | 0.55 |
| Industrial | 520,051,265 | 1.26 | 340 | 0.55 |
| Vacant Industrial | 21,013,418 | 0.05 | 36 | 0.06 |
| Recreational | 98,948,619 | 0.24 | 75 | 0.12 |
| Government/Social/Institutional | 536,726,958 | 1.30 | 503 | 0.81 |
| Miscellaneous | 8,015,203 | 0.02 | 724 | 1.17 |
| Subtotal Non-Residential | $9,147,530,849 | 22.10% | 4,945 | 7.99% |
| **Residential:** | | | | |
| Single Family Residence | $23,398,956,269 | 56.54% | 42,098 | 67.99% |
| Condominium/Townhouse | 3,718,795,991 | 8.99 | 7,462 | 12.05 |
| Mobile Home Park | 1,075,513 | 0.00 | 2 | 0.00 |
| 2-4 Residential Units | 1,851,348,860 | 4.47 | 4,218 | 6.81 |
| 5+ Residential Units/Apartments | 2,997,051,603 | 7.24 | 1,483 | 2.40 |
| Vacant Residential | 271,073,088 | 0.65 | 1,710 | 2.76 |
| Subtotal Residential | $32,238,301,324 | 77.90% | 56,973 | 92.01% |
| Total | $41,385,832,173 | 100.00% | 61,918 | 100.00% |

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

### Assessed Valuations by Jurisdiction

The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

**ASSESSED VALUATION BY JURISDICTION**
**Fiscal Year 2018-19**
**Pasadena Unified School District**

| Jurisdiction: | Assessed Valuation in District | % of District | Assessed Valuation of Jurisdiction | % of Jurisdiction in District |
|---|---|---|---|---|
| City of Arcadia | $6,077,396 | 0.01% | $16,602,075,687 | 0.04% |
| City of La Canada-Flintridge | 97,502 | 0.00 | 8,021,748,824 | 0.00 |
| City of Pasadena | 31,035,344,126 | 73.72 | 31,051,227,886 | 99.95 |
| City of San Marino | 676,975 | 0.00 | 6,541,444,986 | 0.01 |
| City of Sierra Madre | 2,253,086,401 | 5.35 | 2,315,290,928 | 97.31 |
| Unincorporated Los Angeles County | 8,803,456,092 | 20.91 | 107,666,068,683 | 8.18 |
| Total District | $42,098,738,492 | 100.00% | | |
| Los Angeles County | $42,098,738,492 | 100.00% | $1,518,401,584,349 | 2.77% |

*Source: California Municipal Statistics, Inc.*

**Assessed Valuation Per Parcel of Single Family Homes**

The following table shows the distribution of single family homes within the District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

**ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES**
**Fiscal Year 2018-19**
**Pasadena Unified School District**

| | No. of Parcels | 2018-19 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| Single Family Residential | 42,098 | $23,398,956,269 | $555,821 | $430,950 |

| 2018-19 Assessed Valuation | No. of Parcels[(1)] | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $99,999 | 5,032 | 11.953% | 11.953% | $324,909,417 | 1.389% | 1.389% |
| 100,000 - 199,999 | 5,112 | 12.143 | 24.096 | 760,510,482 | 3.250 | 4.639 |
| 200,000 - 299,999 | 5,025 | 11.936 | 36.033 | 1,255,346,508 | 5.365 | 10.004 |
| 300,000 - 399,999 | 4,591 | 10.906 | 46.938 | 1,602,768,846 | 6.850 | 16.853 |
| 400,000 - 499,999 | 4,244 | 10.081 | 57.019 | 1,909,502,178 | 8.161 | 25.014 |
| 500,000 - 599,999 | 3,749 | 8.905 | 65.925 | 2,058,743,584 | 8.798 | 33.813 |
| 600,000 - 699,999 | 3,227 | 7.665 | 73.590 | 2,093,885,809 | 8.949 | 42.761 |
| 700,000 - 799,999 | 2,694 | 6.399 | 79.990 | 2,012,551,498 | 8.601 | 51.362 |
| 800,000 - 899,999 | 2,041 | 4.848 | 84.838 | 1,731,757,569 | 7.401 | 58.763 |
| 900,000 - 999,999 | 1,319 | 3.133 | 87.971 | 1,249,758,973 | 5.341 | 64.104 |
| 1,000,000 - 1,099,999 | 931 | 2.212 | 90.182 | 974,019,040 | 4.163 | 68.267 |
| 1,100,000 - 1,199,999 | 676 | 1.606 | 91.788 | 775,061,686 | 3.312 | 71.579 |
| 1,200,000 - 1,299,999 | 587 | 1.394 | 93.183 | 732,971,183 | 3.132 | 74.712 |
| 1,300,000 - 1,399,999 | 493 | 1.171 | 94.354 | 665,018,523 | 2.842 | 77.554 |
| 1,400,000 - 1,499,999 | 397 | 0.943 | 95.297 | 574,851,322 | 2.457 | 80.011 |
| 1,500,000 - 1,599,999 | 281 | 0.667 | 95.964 | 435,354,766 | 1.861 | 81.871 |
| 1,600,000 - 1,699,999 | 241 | 0.572 | 96.537 | 397,171,099 | 1.697 | 83.569 |
| 1,700,000 - 1,799,999 | 199 | 0.473 | 97.009 | 347,989,247 | 1.487 | 85.056 |
| 1,800,000 - 1,899,999 | 163 | 0.387 | 97.397 | 301,322,039 | 1.288 | 86.344 |
| 1,900,000 - 1,999,999 | 136 | 0.323 | 97.720 | 265,125,649 | 1.133 | 87.477 |
| 2,000,000 and greater | 960 | 2.280 | 100.000 | 2,930,336,851 | 12.523 | 100.000 |
| Total | 42,098 | 100.000% | | $23,398,956,269 | 100.000% | |

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

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## Tax Levies, Collections and Delinquencies

The County levies and collects all property taxes for property falling within the County's taxing boundaries. The annual secured tax levies and delinquencies for the District for fiscal years 2008-09 through 2017-18 are shown below.

**SECURED TAX CHARGES AND DELINQUENCIES**
**Fiscal Years 2008-09 through 2017-18**
**Pasadena Unified School District**

| | Secured Tax Charge[1] | Amount Delinquent June 30 | Percent Delinquent June 30 |
|---|---|---|---|
| 2008-09 | $53,670,063.57 | $2,523,813.02 | 4.70% |
| 2009-10 | 53,333,907.68 | 1,837,014.38 | 3.44 |
| 2010-11 | 54,086,140.16 | 1,302,917.76 | 2.41 |
| 2011-12 | 55,543,690.76 | 1,163,661.65 | -- |
| 2012-13 | 57,012,947.83 | 1,028,835.71 | 1.80 |
| 2013-14 | 60,127,753.31 | 890,506.53 | 1.48 |
| 2014-15 | 63,717,333.48 | 921,879.73 | 1.45 |
| 2015-16 | 67,954,639.45 | 968,559.36 | 1.43 |
| 2016-17 | 71,268,260.64 | 850,511.94 | 1.19 |
| 2017-18 | 76,779,884.02 | 958,278.72 | 1.25 |

| | Secured Tax Charge[2] | Amount Delinquent June 30 | Percent Delinquent June 30 |
|---|---|---|---|
| 2008-09 | $17,327,118.20 | $770,373.91 | 4.45% |
| 2009-10 | 29,572,818.64 | 969,783.76 | 3.28 |
| 2010-11 | 28,147,807.14 | 660,561.07 | 2.35 |
| 2011-12 | 30,999,236.73 | 645,881.79 | 2.08 |
| 2012-13 | 33,283,035.99 | 530,756.62 | 1.59 |
| 2013-14 | 31,803,371.57 | 454,469.24 | 1.43 |
| 2014-15 | 34,391,519.53 | 406,854.16 | 1.18 |
| 2015-16 | 38,661,288.45 | 451,787.15 | 1.17 |
| 2016-17 | 38,794,167.79 | 409,211.42 | 1.05 |
| 2017-18 | 41,480,910.89 | 704,643.28 | 1.70 |

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects County-wide delinquency rate.
(2) District's general obligation bond debt service levy only.
*Source: California Municipal Statistics, Inc.*

## Alternative Method of Tax Apportionment - "Teeter Plan"

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 <u>not</u> 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.**

The District participates in the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Government Code Section 6516.6. The District anticipates that CSDTFA will, from time to time, purchase delinquent *ad valorem* property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2017-18 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 110% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* property tax receivables related to the payment of general obligation bonds of the District. Thus, the District's participation in CSDTFA's program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Bonds. See also "—*Ad Valorem* Property Taxation" herein.

### Typical Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the five-year period from 2014-15 through 2018-19.

**SUMMARY OF *AD VALOREM* TAX RATES (TRA 7500)[1]**
**Fiscal Years 2014-15 through 2018-19**
**Pasadena Unified School District**

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|
| General | 1.000000% | 1.000000% | 1.000000% | 1.000000% | 1.000000% |
| Pasadena Area Community College District | .010315 | .008722 | .008850 | .008186 | .007674 |
| Pasadena Unified School District | .106010 | .111679 | .106730 | .105469 | .094909 |
| Metropolitan Water District | .003500 | .003500 | .003500 | .003500 | .003500 |
| Total | 1.119825% | 1.123901% | 1.119080% | 1.117155% | 1.106083% |

(1) The fiscal year 2018-19 assessed valuation of TRA 7500 was $25,332,629,792, which was 60.17% of the District's total fiscal year 2018-19 assessed valuation.
*Source: California Municipal Statistics, Inc.*

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## Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

**20 LARGEST LOCAL SECURED TAXPAYERS**
**Fiscal Year 2018-19**
**Pasadena Unified School District**

| | Property Owner | Primary Land Use | 2018-19 Assessed Valuation | % of Total[1] |
|---|---|---|---|---|
| 1. | CPUS Pasadena LP | Office Building | $266,342,400 | 0.64% |
| 2. | Kaiser Foundation Health Plan | Medical Buildings | 248,118,326 | 0.60 |
| 3. | BPP East Union LLC | Shopping Center | 209,120,397 | 0.51 |
| 4. | PPF OFF 100 West Walnut Street LP | Office Building | 187,995,319 | 0.45 |
| 5. | PPF OFF 74 North Pasadena Avenue and 75 | Office Building | 165,144,448 | 0.40 |
| 6. | Pacific Huntington Hotel | Hotel | 163,926,247 | 0.40 |
| 7. | Trio Pasadena LLC | Apartments | 157,080,000 | 0.38 |
| 8. | Western Asset Plaza LLC | Office Building | 156,386,784 | 0.38 |
| 9. | CAPREF Paseo LLC, Lessor | Shopping Center | 151,710,138 | 0.37 |
| 10. | Tishman Speyer Archstone Smith | Apartments | 150,816,784 | 0.36 |
| 11. | SPF 888 Walnut Pasadena LLC | Office Building | 149,332,702 | 0.36 |
| 12. | CWI Pasadena Hotel LP | Hotel | 144,967,239 | 0.35 |
| 13. | Teachers Insurance and Annuity Association | Apartments | 133,403,869 | 0.32 |
| 14. | SSR Paseo Colorado LLC | Apartments | 124,306,450 | 0.30 |
| 15. | 177 Colorado Owner LLC | Office Building | 102,584,419 | 0.25 |
| 16. | PR 155 North Lake LLC | Office Building | 91,576,472 | 0.22 |
| 17. | Wells REIT II Pasadena Corporate | Office Building | 91,544,738 | 0.22 |
| 18. | DP Plaza Las Fuentes LLC and E-W Service | Office Building | 85,704,795 | 0.21 |
| 19. | Marc Ittah | Commercial | 83,754,795 | 0.20 |
| 20. | Pasadena Oaks Life Properties | Medical Buildings | 82,103,548 | 0.20 |
| | | | $2,945,919,870 | 7.12% |

(1) The fiscal year 2018-19 local secured assessed valuation of the District was $41,385,832,173.
*Source: California Municipal Statistics, Inc.*

## Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of August 1, 2019 for debt outstanding as of July 9, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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**STATEMENT OF DIRECT AND OVERLAPPING DEBT**
**Pasadena Unified School District**

**2018-19 Assessed Valuation:** $42,098,738,492

| **DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:** | **% Applicable** | **Debt 8/1/19** |
|---|---|---|
| Metropolitan Water District | 1.349% | $648,195 |
| Pasadena Area Community College District | 47.275 | 33,763,805 |
| **Pasadena Unified School District** | **100.000** | **308,500,000**[1] |
| City of Arcadia | 0.037 | 3,687 |
| Los Angeles County Community Facilities District No. 7 | 100.000 | 4,935,000 |
| Los Angeles County Improvement District Nos. 2658 and 2661 | 100.000 | 1,105,000 |
| Los Angeles County Regional Park and Open Space Assessment District | 2.773 | 377,683 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $349,333,370 |

| **DIRECT AND OVERLAPPING GENERAL FUND DEBT:** | | |
|---|---|---|
| Los Angeles County General Fund Obligations | 2.773% | $58,956,244 |
| Los Angeles County Superintendent of Schools Certificates of Participation | 2.773 | 143,709 |
| **Pasadena Unified School District Qualified Zone Academy Bonds** | **100.000** | **666,668** |
| City of Pasadena General Fund Obligations | 99.949 | 417,445,408 |
| City of Pasadena Pension Obligation Bonds | 99.949 | 119,399,075 |
| City of San Marino Pension Obligation Bonds | 0.010 | 261 |
| Los Angeles County Sanitation District No. 15 Authority | 5.797 | 512,907 |
| Los Angeles County Sanitation District No. 16 Authority | 59.684 | 3,290,295 |
| Los Angeles County Sanitation District No. 17 Authority | 100.000 | 706,123 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $601,120,690 |
| Less: City of Pasadena obligations supported by other revenue sources | | 318,395,949 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $282,724,741 |

| | |
|---|---|
| **OVERLAPPING TAX INCREMENT DEBT (Successor Agency):** | $815,000 |
| GROSS COMBINED TOTAL DEBT | $951,269,060[2] |
| NET COMBINED TOTAL DEBT | $632,873,111 |

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

**Direct Debt ($308,500,000)................................................ 0.73%**
Total Direct and Overlapping Tax and Assessment Debt...... 0.83%
**Combined Direct Debt ($309,166,668) ............................. 0.73%**
Gross Combined Total Debt ................................................. 2.26%
Net Combined Total Debt..................................................... 1.50%

**Ratios to Redevelopment Incremental Valuation ($4,997,703,938):**

Total Overlapping Tax Increment Debt................................ 0.02%

(1) Excludes the Bonds and includes the Refunded Bonds described herein.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
*Source: California Municipal Statistics, Inc.*

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

*The Bonds are payable solely from the proceeds of an* ad valorem *property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds.*

### Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the legislature of the State (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

***Split Roll Property Tax Ballot Measure.*** On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the "2020 Ballot Measure"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIIIA such that the "full cash value" of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the "full cash value" of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding that school districts and community college districts receive under the State's constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

**Legislation Implementing Article XIIIA**

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

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

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

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

**Proposition 50 and Proposition 171**

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

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

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

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

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

**Unitary Property**

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

The State electric utility industry has experienced significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a community funded district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Community Funded Districts" herein.

**Article XIIIB of the California Constitution**

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

(a) "change in the cost of living" with respect to K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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

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

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

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

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

**Article XIIIC and Article XIIID of the California Constitution**

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

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

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 XIIIA of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

**Proposition 26**

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

**Propositions 98 and 111**

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

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

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

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

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

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

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

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

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

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

**Proposition 39**

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

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

**Proposition 1A and Proposition 22**

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

See also "DISTRICT FINANCIAL INFORMATION – State Dissolution of Redevelopment Agencies" herein.

***Jarvis vs. Connell***

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

**Propositions 30 and 55**

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

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

**Proposition 2**

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

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

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

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

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows:

(i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

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

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

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

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

**Proposition 51**

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

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

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

The District makes no representation or guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

**Future Initiatives**

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

## DISTRICT FINANCIAL INFORMATION

*The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an* ad valorem *property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

**State Funding of Education**

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

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

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

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT**
**Fiscal Years 2007-08 through 2012-13**
**Pasadena Unified School District**

| Fiscal Year | ADA(1) | Change | ADA Base Revenue Limit(2) | Deficit Revenue Limit Per ADA(2) |
|---|---|---|---|---|
| 2007-08 | 19,199 | -- | $5,799.31 | $5,799.31 |
| 2008-09 | 18,765 | (434) | 6,128.31 | 5,647.61 |
| 2009-10 | 18,467 | (298) | 6,390.31 | 5,217.37 |
| 2010-11 | 17,842 | (625) | 6,386.59 | 5,239.37 |
| 2011-12 | 17,696 | (146) | 6,508.31 | 5,184.74 |
| 2012-13 | 17,151 | (545) | 6,720.31 | 5,223.56 |

(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Excludes students enrolled in the five charter schools located in the District.
(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein) in fiscal year 2013-14.
*Source: Pasadena Unified School District.*

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

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget.

The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" herein.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

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

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The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2018-19, and budgeted amounts for fiscal year 2019-20.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**
**Fiscal Years 2012-13 through 2019-20**
**Pasadena Unified School District**

| | ADA[1] | | | | | Enrollment[2] | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | K-3 | 4-6 | 7-8 | 9-12 | Total ADA | Total Enrollment | % of EL/LI Enrollment |
| 2012-13 | 5,736.79 | 3,920.95 | 2,514.80 | 4,978.16 | 17,150.70 | 18,095 | 70.07% |
| 2013-14 | 5,839.12 | 3,908.73 | 2,491.41 | 4,926.50 | 17,165.76 | 17,828 | 71.08 |
| 2014-15 | 5,723.87 | 3,742.48 | 2,485.72 | 4,888.19 | 16,840.26 | 17,267 | 70.39 |
| 2015-16 | 5,526.96 | 3,878.08 | 2,303.25 | 4,628.27 | 16,336.56 | 17,186 | 70.39 |
| 2016-17 | 5,442.97 | 3,931.22 | 2,379.98 | 4,528.91 | 16,283.08 | 17,065 | 65.00 |
| 2017-18 | 5,227.06 | 3,898.72 | 2,407.35 | 4,511.34 | 16,044.47 | 16,881 | 64.00 |
| 2018-19 | 5,017.60 | 3,672.72 | 2,368.56 | 4,368.15 | 15,427.03 | 16,340 | 62.00 |
| 2019-20[3] | 4,917.55 | 3,572.80 | 2,300.02 | 4,249.82 | 15,040.18 | 16,008 | 62.00 |

(1) Reflects P-2 ADA. In years in which the District experiences declining enrollment, the District is funded based on the prior year ADA. Excludes students enrolled in the five charter schools located in the District.
(2) Fiscal year 2012-13 reflects enrollment as of the October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 and later reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. CALPADS figures generally exclude preschool and adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Excludes students enrolled in the five charter schools located in the District.
(3) Budgeted.
*Source: Pasadena Unified School District.*

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

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

***Community Funded Districts.*** Certain school districts, known as "community funded" districts (previously known as "basic aid" districts), have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community funded school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a community funded district.

***Accountability.*** Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

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

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

**Other Revenue Sources**

***Federal and Local Sources.*** The federal government provides funding for several school district programs, including specialized programs such as Every Student Succeeds Act, special education programs, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as interest earnings, interagency services, Developer Fees (as discussed herein), Foundation revenues (as discussed herein) and other local sources.

***Developer Fees.*** The District maintains the Capital Facilities Fund, separate and apart from its general fund, to account for developer fees assessed on residential development within the District (the "Developer Fees"). The following table reflects the Developer Fees collected from fiscal years 2014-15 through 2018-19, as well as a budgeted amount for fiscal year 2019-20.

**DEVELOPER FEES**
**Fiscal Years 2014-15 through 2019-20**
**Pasadena Unified School District**

| Fiscal Year | Developer Fees |
|---|---|
| 2014-15 | $2,422,237 |
| 2015-16 | 1,502,062 |
| 2016-17 | 1,121,595 |
| 2017-18 | 851,516 |
| 2018-19(1) | 2,074,324 |
| 2019-20(2) | 441,722 |

(1) Estimated.
(2) Budgeted.
*Source: Pasadena Unified School District.*

The District can make no representations that Developer Fees will continue to be received by the District in amounts consistent with prior years, or as currently budgeted.

***Foundation.*** The Pasadena Educational Foundation (the "Foundation") is a non-profit public benefit corporation, providing financial support to the District. Under Governmental Accounting Standards Board ("GASB") rules, the Foundation is not a component unit of the District for financial reporting purposes. The following table lists the annual donations made to the Foundation and transferred to the general fund of the District from fiscal years 2014-15 through 2018-19, as well as a budgeted amount for fiscal year 2019-20.

**FOUNDATION DONATIONS**
**Fiscal Years 2014-15 through 2019-20**
**Pasadena Unified School District**

| Fiscal Year | Foundation Donations |
|---|---|
| 2014-15 | $549,298 |
| 2015-16 | 751,561 |
| 2016-17 | 606,897 |
| 2017-18 | 624,478 |
| 2018-19(1) | 1,281,688 |
| 2019-20(2) | 0 |

(1) Estimated.
(2) Budgeted.
*Source: Pasadena Unified School District.*

The District budgets Foundation revenues when received, and any carry over funds will be budgeted once the books are officially closed through the Los Angeles County Office of Education. The District anticipates that Foundation revenues will remain stable. However, the District can make no representations that Foundation revenues will continue to be received by the District in amounts consistent with prior years.

## State Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABX1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABX1 27, a companion bill to ABX1 26, violated the State Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABX1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABX1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed $250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the State Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

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

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

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

**Budget Process**

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

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

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

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

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

The District has never had an adopted budget disapproved by the County Superintendent of Schools. The District self-certified a "qualified" Second Interim Report for fiscal year 2007-08, received a "qualified" certification on its First Interim Report for fiscal year 2012-13, self-certified a "qualified" Second Interim Report for fiscal year 2012-13, self-certified a "negative" First Interim Report in fiscal year 2017-18, and self-certified "qualified" Second Interim Report in fiscal year 2017-18. In its next interim financial report, and for all reporting periods thereafter, the District has reported a "positive" certification.

***General Fund Budgeting Trends.*** The District's general fund adopted budgets for fiscal years 2014-15 through 2019-20, audited actuals for fiscal years 2014-15 through 2017-18, and estimated actuals for fiscal year 2018-19 are set forth on the following page.

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## GENERAL FUND BUDGETING
## Fiscal Years 2014-15 through 2019-20
## Pasadena Unified School District

| | 2014-15 | | 2015-16 | | 2016-17 | | 2017-18 | | 2018-19 | | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Adopted Budget[1] | Audited Actuals[1] | Adopted Budget[1] | Audited Actuals[1] | Adopted Budget[1] | Audited Actuals[1] | Adopted Budget[1] | Audited Actuals[1] | Adopted Budget[2] | Estimated Actuals[3] | Adopted Budget[3] |
| **Revenues** | | | | | | | | | | | |
| LCFF sources: | | | | | | | | | | | |
| State apportionments | $78,711,908 | $66,014,663 | $68,411,158 | $74,985,563 | $86,721,803 | $69,927,337 | $78,659,189 | $74,153,985 | $84,454,759 | $82,872,770 | $81,876,299 |
| Local sources | 51,001,730 | 65,547,207 | 79,153,955 | 72,714,926 | 67,104,379 | 83,918,319 | 76,968,107 | 81,501,225 | 76,155,925 | 77,858,135 | 77,636,206 |
| Total LCFF sources | 129,713,638 | 131,561,870 | 147,565,113 | 147,700,489 | 153,826,182 | 153,845,656 | 155,627,296 | 155,655,210 | 160,610,684 | 160,730,905 | 159,512,505 |
| Federal sources | 19,274,469 | 19,795,874 | 19,268,570 | 21,096,891 | 21,288,303 | 19,726,719 | 17,582,442 | 16,668,637 | 19,833,744 | 20,124,191 | 20,264,056 |
| Other State sources | 22,187,890 | 28,037,481 | 33,187,318 | 39,049,680 | 29,142,367 | 32,727,046 | 27,799,697 | 38,933,057 | 28,650,741 | 26,814,967 | 26,198,617 |
| Other local sources | 6,221,227 | 9,965,504 | 5,636,943 | 9,386,116 | 6,031,296 | 9,583,355 | 5,196,195 | 12,422,692 | 6,586,819 | 7,846,125 | 12,930,982 |
| Total Revenues | 177,397,224 | 189,360,729 | 205,657,944 | 217,233,176 | 210,288,148 | 215,882,776 | 206,205,630 | 223,679,596 | 215,681,988 | 215,516,188 | 218,906,160 |
| **Expenditures** | | | | | | | | | | | |
| Certificated salaries | 75,817,330 | 77,682,103 | 77,549,912 | 80,119,963 | 81,692,546 | 82,551,989 | 79,766,309 | 81,643,406 | 80,814,665 | 76,334,379 | 79,699,165 |
| Classified salaries | 32,046,325 | 32,746,145 | 34,789,406 | 34,457,719 | 34,607,334 | 35,891,759 | 37,467,312 | 35,114,399 | 35,613,819 | 33,191,220 | 35,328,432 |
| Employee benefits | 40,424,305 | 44,582,762 | 45,733,515 | 50,240,166 | 49,924,656 | 54,150,426 | 52,835,140 | 58,932,497 | 55,808,162 | 52,321,622 | 57,229,610 |
| Books and supplies | 5,861,100 | 5,035,654 | 8,485,922 | 9,813,019 | 8,470,554 | 7,487,221 | 7,027,538 | 5,917,291 | 7,676,768 | 6,866,531 | 8,375,466 |
| Services and other operating expenditures | 25,704,476 | 30,609,191 | 29,188,129 | 36,447,475 | 35,201,832 | 37,084,053 | 35,127,307 | 34,427,940 | 38,276,504 | 41,551,444 | 43,262,437 |
| Capital outlay | 97,723 | 1,301,600 | 314,150 | 571,088 | 809,798 | 695,246 | 105,000 | 3,300,239 | 267,700 | 1,332,719 | 326,256 |
| Other outgo | 200,000 | 137,619 | 200,000 | 508,178 | -- | 472,453 | 397,456 | 1,197,780 | 906,000 | 920,683 | 931,000 |
| Direct support – indirect cost | (608,068) | (627,745) | (437,495) | (656,299) | (585,898) | (612,588) | (750,390) | (710,071) | (834,376) | (829,159) | (650,167) |
| **Total Expenditures** | 179,543,191 | 191,467,329 | 195,823,539 | 211,501,309 | 210,120,822 | 217,720,559 | 211,975,672 | 219,823,481 | 218,529,242 | 211,689,439 | 224,502,199 |
| Excess (deficiency) of revenues over expenditures | (2,145,967) | (2,106,600) | 9,834,405 | 5,731,867 | 167,326 | (1,837,783) | (5,770,042) | 3,856,115 | (2,847,254) | 3,826,749 | (5,596,039) |
| **Other financing sources (uses)** | | | | | | | | | | | |
| Transfers in | -- | -- | -- | -- | -- | -- | -- | 2,418,025[5] | -- | -- | -- |
| Transfers out | -- | -- | -- | (250,000)[4] | -- | -- | -- | -- | -- | (945,213)[4] | (935,000)[4] |
| **Total other financing sources (uses)** | -- | -- | -- | (250,000) | -- | -- | -- | 2,418,025 | -- | (945,213) | (935,000) |
| Net increase (decrease) in fund balance | (2,145,967) | (2,106,600) | 9,834,405 | 5,481,867 | 167,326 | (1,837,783) | (5,770,042) | 6,274,140 | (2,847,254) | 2,881,536 | (6,531,039) |
| **Fund Balance, beginning of year** | 15,755,872 | 15,755,872 | 13,649,272 | 13,649,272 | 19,131,139 | 19,131,139 | 17,293,356 | 17,293,356 | 25,061,381 | 25,061,381 | 26,543,996 |
| **Audit Adjustments** | -- | -- | -- | -- | -- | -- | -- | -- | (1,493,885)[6] | (1,493,885)[6] | -- |
| **Other Restatements** | -- | -- | -- | -- | -- | -- | -- | -- | -- | 94,964[7] | |
| **Adjusted Beginning Balance** | -- | -- | -- | -- | -- | -- | -- | -- | 23,567,496 | 23,662,460 | -- |
| **Fund Balance, end of year** | $13,609,905 | $13,649,272 | $23,483,677 | $19,131,139 | $19,298,465 | $17,293,356 | $11,523,314 | $23,567,496 | $20,720,242 | $26,543,996 | $20,012,957 |

(1) From the District's Audited Financial Statements for fiscal years 2014-15 through 2017-18, respectively. Includes restricted and unrestricted general fund activity.
(2) From the District's Second Interim Financial Report for fiscal year 2018-19, which was approved by the Board on March 14, 2019. Includes restricted and unrestricted general fund activity.
(3) From the District's Adopted Budget for fiscal year 2019-20, which was approved by the Board on June 27, 2019. Includes restricted and unrestricted general fund activity.
(4) Represents transfers out to the: Self-Insurance Fund to cover insurance expenses in fiscal years 2015-16, 2018-19, and 2019-20; and the Cafeteria Special Revenue Fund in fiscal year 2018-19.
(5) Represents transfers in from the Special Reserve Fund for Capital Outlay for Office of Public School Construction projects.
(6) Adjustment made by auditors in fiscal year 2017-18 Audited Financial Statements to reflect amounts accrued in fiscal year 2017-18 that were not booked until fiscal year 2018-19.
(7) Restatement due to Los Angeles County Office of Education entry to restate prior year understated property tax revenue.

*Source: Pasadena Unified School District.*

## Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

## Comparative Financial Statements

The District's audited financial statements for the year ended June 30, 2018 are attached hereto as APPENDIX B. The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

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**AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES[1]**
**Fiscal Years 2013-14 through 2017-18**
**Pasadena Unified School District**

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| LCFF sources: | | | | | |
| State apportionments | $66,391,992 | $66,014,663 | $74,985,563 | $69,927,337 | $74,153,985 |
| Local sources | 52,263,887 | 65,547,207 | 72,714,926 | 83,918,319 | 81,501,225 |
| Total LCFF/revenue limit sources | 118,655,879 | 131,561,870 | 147,700,489 | 153,845,656 | 155,655,210 |
| Federal sources | 19,471,180 | 19,795,874 | 21,096,891 | 17,233,889 | 16,668,637 |
| Other State sources | 27,196,698 | 28,037,481 | 39,049,680 | 35,219,876 | 38,933,057 |
| Other local sources | 10,080,203 | 9,965,504 | 9,386,116 | 9,583,355 | 12,422,692 |
| **Total Revenues** | 175,403,960 | 189,360,729 | 217,233,176 | 215,882,776 | 223,679,596 |
| **Expenditures** | | | | | |
| Instruction | 104,132,724 | 110,978,544 | 123,431,664 | 124,960,324 | 127,388,587 |
| Instruction - related services | 25,965,514 | 27,731,496 | 30,489,266 | 31,499,641 | 31,694,492 |
| Pupil services | 18,483,677 | 20,848,577 | 20,711,596 | 22,361,506 | 21,937,045 |
| General administration | 9,198,234 | 10,335,272 | 13,834,725 | 15,568,910 | 12,656,725 |
| Plant services | 19,347,989 | 20,483,333 | 21,541,166 | 21,927,429 | 24,086,089 |
| Ancillary services | 705,843 | 719,014 | 764,242 | 724,913 | 721,538 |
| Community services | 213,076 | 233,474 | 219,510 | 205,383 | 141,225 |
| Enterprise services | -- | -- | 962 | -- | -- |
| Other outgo | 575,338 | 137,619 | 508,178 | 472,453 | 1,197,780 |
| **Total Expenditures** | 178,622,395 | 191,467,329 | 211,501,309 | 217,720,559 | 219,823,481 |
| Excess (deficiency) of revenues over (under) expenditures | (3,218,435) | (2,106,600) | 5,731,867 | (1,837,783) | 3,856,115 |
| **Other Financing Sources (Uses)** | | | | | |
| Interfund transfers in | -- | -- | -- | -- | 2,418,025 |
| Interfund transfers out | -- | -- | (250,000) | -- | -- |
| Other proceeds | -- | -- | -- | -- | -- |
| **Total Other Financing Sources (Uses)** | -- | -- | (250,000) | -- | 2,418,025 |
| Net changes in fund balances | (3,218,435) | (2,106,600) | 5,481,867 | (1,837,783) | 6,274,140 |
| **Fund Balances - Beginning of Year, as originally stated** | 19,264,191 | 15,755,872 | 13,649,272 | 19,131,139 | 17,293,356 |
| Adjustment for Restatement | (289,884)[2] | -- | -- | -- | -- |
| Fund Balances – Beginning of Year, as restated | 18,974,307 | -- | -- | -- | -- |
| **Fund Balances - End of Year** | $15,755,872 | $13,649,272 | $19,131,139 | $17,293,356 | $23,567,496 |

(1) From the District's Audited Financial Statements for fiscal years 2013-14 through 2017-18, respectively. Includes restricted and unrestricted general fund activity.
(2) Restatement to reflect reversal of charges for general fund expenditures charged to the Food Services Fund.
*Source: Pasadena Unified School District.*

**State Budget Measures**

*The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an* ad valorem *property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof.*

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

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

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

- *Local Control Funding Formula* – An increase of $1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA.

- *Settle-Up Payment* – An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – $645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) $152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) $492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

- *Pension Costs* – A $3.15 billion payment from non-Proposition 98 funds to STRS (as defined herein) and PERS (as defined herein), to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, STRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. PERS employer contributions will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and from 23.6% to 22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "PASADENA UNIFIED SCHOOL DISTRICT – District Retirement Systems" herein.

- *After School Programs* – $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.

- *Teacher Support* – $43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes $89.8 million in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.

- *Broadband Infrastructure* – $7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.

- *Full-Day Kindergarten* – $300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.

- *Wildfire-Related Cost Adjustments* – An increase of $2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.

- *Proposition 51* – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election that authorizes the sale and issuance of $9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities. The 2019-20 Budget allocates $1.5 billion of such bond funds for K-12 school facility projects.

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

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

## PASADENA UNIFIED SCHOOL DISTRICT

*The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the revenues generated by an* ad valorem *property tax required to be levied by the County on taxable property within the District for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

### Introduction

The District was formed in 1874 and unified in 1944 and covers approximately 76 square miles within the County, including the cities of Pasadena and Sierra Madre. The District currently operates 19 elementary schools, five middle schools, four comprehensive high schools, one continuation school, and one drop out recovery school. For fiscal year 2019-20, the District has an assessed valuation of $43,791,670,969 and the District's ADA is budgeted to be 15,040 students.

### Administration

The District is governed by a seven-member Board, each member of which is elected by the voters within the seven trustee areas making up the District. The Board members serve four-year terms, and elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

**PASADENA UNIFIED SCHOOL DISTRICT**
**Board of Education**

| Name | Office | Term Expires |
|---|---|---|
| Lawrence Torres | President | November 2020 |
| Patrick Cahalan | Vice President | November 2020 |
| Scott Phelps | Clerk | November 2022 |
| Roy Boulghourjian | Member | November 2020 |
| Kimberly Kenne | Member | November 2022 |
| Elizabeth Pomeroy | Member | November 2022 |
| Michelle Richardson Bailey | Member | November 2022 |

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Brian McDonald, Ed.D. is the Superintendent of the District. Brief biographies of the Superintendent, the Chief Facilities Officer, and the Chief Business Officer follow:

***Brian McDonald, Ed.D., Superintendent***. Dr. McDonald was appointed to serve as the District's Superintendent effective November 2014. Prior thereto, he served as the District's Interim Superintendent, Deputy Superintendent, and Chief Academic Officer. Dr. McDonald's previous positions also include administrative positions in the Houston Independent School District in Texas. Dr. McDonald received a Doctorate in Educational Leadership from Sam Houston State University, a certification in principalship from Harvard Graduate School, a Master's in Education Administration from Texas Southern University, and a Bachelor of Science degree in Accounting from the University of Houston-Downtown.

***Nelson Cayabyab, Chief Facilities Officer***. Mr. Cayabyab was appointed to serve as the District's Chief Facilities Officer in February 2015. Immediately prior thereto, he served the Beverly Hills Unified School District as Chief Facilities Official. He has also served as Chief Facilities Official for the Huntington Beach Union High School District. Mr. Cayabyab earned his Bachelor's degree in engineering from the US Naval Academy, his master's degree in strategic studies from US Naval War College, and his MBA degree in business management from National University.

***Leslie Barnes, Ed.D., Chief Business Officer***. Dr. Barnes was appointed to serve as the District's Chief Business Officer effective December 2018. Immediately prior thereto, she served the Pomona Unified School District as Chief Financial Officer and Assistant Superintendent of Business Services. Dr. Barnes received a Doctorate in Educational Leadership and a Bachelor of Science in Business Administration/Finance from the California State Polytechnic University, Pomona. She also has a Certificate in School Business Management from California State University, Fullerton.

## Historical Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 23:1 in grades K-3, 31.19:1 in grades 4-5, 28.61:1 in grades 6-8, and 27.32:1 in grades 9-12. The following table shows a 10-year enrollment history for the District.

**HISTORICAL ENROLLMENT**
**Fiscal Years 2010-11 through 2019-20**
**Pasadena Unified School District**

| Fiscal Year | Enrollment(1) | Change |
|---|---|---|
| 2010-11 | 19,803 | -- |
| 2011-12 | 18,347 | (1,456) |
| 2012-13 | 18,095 | (252) |
| 2013-14 | 17,828 | (267) |
| 2014-15 | 17,267 | (561) |
| 2015-16 | 17,186 | (81) |
| 2016-17 | 17,065 | (121) |
| 2017-18 | 16,881 | (184) |
| 2018-19 | 16,340 | (541) |
| 2019-20(2) | 16,008 | (332) |

(1) Reflects enrollment as of the October CBEDS for fiscal years 2010-11 through 2012-13, and October CALPADS from and after fiscal year 2013-14. Excludes students enrolled in the five charter schools located in the District.
(2) Budgeted.
*Source: Pasadena Unified School District.*

## Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most State and district regulations. Revised in 1998, the State's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools exempt from state and local education rules and regulations, except as specified in the legislation.

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

There are five District-sponsored independent charter schools currently operating within the District's boundaries (collectively, the "Charter Schools"). The following table shows enrollment figures for the Charter Schools for the past 10 fiscal years.

**CHARTER SCHOOLS ENROLLMENT**
**Fiscal Years 2010-11 through 2019-20**
**Pasadena Unified School District**

| Fiscal Year | Enrollment |
|---|---|
| 2010-11 | 817 |
| 2011-12 | 834 |
| 2012-13 | 1,158 |
| 2013-14 | 1,575 |
| 2014-15 | 1,319 |
| 2015-16 | 1,314 |
| 2016-17 | 1,345 |
| 2017-18 | 1,356 |
| 2018-19 | 1,485 |
| 2019-20(1) | 1,529 |

(1) Budgeted.
*Source: Pasadena Unified School District.*

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

## Labor Relations

The District currently employs approximately 1,008.5 full-time equivalent ("FTE") certificated employees and 869.1 FTE classified employees. These employees, except management and some part-time employees, are represented by three bargaining units as noted below:

**PASADENA UNIFIED SCHOOL DISTRICT**
**Labor Relations**

| Labor Organization | Number of Employees in Organization | Contract Expiration Date |
|---|---|---|
| United Teachers of Pasadena | 1,008.50 | June 30, 2017(1) |
| CSEA – Chapter 434 | 488.57 | June 30, 2019(1) |
| Teamsters' Local 911 | 251.06 | June 30, 2020 |

(1) Employees continue to work under the terms of their respective labor contracts while new contracts are negotiated.
*Source: Pasadena Unified School District.*

## District Retirement Systems

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

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

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

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

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

| Effective Date | STRS Members Hired Prior to January 1, 2013 | STRS Members Hired After January 1, 2013 |
|---|---|---|
| July 1, 2014 | 8.150% | 8.150% |
| July 1, 2015 | 9.200 | 8.560 |
| July 1, 2016 | 10.250 | 9.205 |

*Source: AB 1469.*

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

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

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

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

*Source: AB 1469.*

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

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

The District's contribution to STRS was $6,730,163 in fiscal year 2014-15, $8,376,235 in fiscal year 2015-16, $10,133,838 in fiscal year 2016-17, $11,434,815 in fiscal year 2017-18, and $12,108,630 in fiscal year 2018-19 (estimated). The District has budgeted its contribution to STRS for fiscal year 2019-20 to be $13,339,109.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria.

Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

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

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

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

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

The District's contribution to PERS was $4,291,778 in fiscal year 2014-15, $4,413,765 in fiscal year 2015-16, $5,456,293 in fiscal year 2016-17, $5,982,930 in fiscal year 2017-18, and $6,635,391 in fiscal year 2018-19 (estimated). The District has budgeted its contribution to PERS for fiscal year 2019-20 to be $8,795,767.

For further information about the District's contributions to STRS and PERS, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" attached hereto.

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

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

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

**STRS**

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

**PERS**

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

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.
*Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.*

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

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

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

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

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

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

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

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

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

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

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

***California Public Employees' Pension Reform Act of 2013.*** On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

The District's net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for STRS and PERS, as of June 30, 2018, are as shown in the following table.

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| STRS | $143,344,000 | $43,638,243 | $14,767,742 | $13,799,901 |
| PERS | 73,551,602 | 22,099,330 | 2,940,914 | 11,798,302 |
| Total | $216,895,602 | $65,737,573 | $17,708,656 | $25,598,203 |

*Source: Pasadena Unified School District.*

For further information about the District's contributions to STRS and PERS, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" attached hereto.

**Alternative Retirement Plans**

The District participates in the Self-Insured Schools of California ("SISC") pool, which offers a defined benefit plan to the District's eligible part-time, temporary and seasonal employees as an alternative to Social Security coverage. In compliance with the Reform Act, any employee hired after the Implementation Date is required to pay 50% of the normal cost rate. The District continues to make 100% of the contribution for employees who participated in the SISC plan prior to the Implementation Date. The total cost for the District in fiscal year 2018-19 was $61,206 (estimated) and is budgeted to be $51,159 in fiscal year 2019-20. See "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 15" attached hereto.

**Part-Time Employees Retirement Plan**

The District sponsored a Part-Time Employee Retirement Plan (the "PTERP") from January 1, 1992 through June 30, 2000. The PTERP was a single-employer defined-benefit pension plan. The PTERP was formally terminated on April 27, 2010, however, the PTERP had been inactive since 2000. The District has determined that there is not sufficient plan data available to allow for the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Therefore, the total pension liability could not be calculated and the District elected to omit the PTERP and related disclosures from the District's audited financial statements. For additional information, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 16" attached hereto.

**Other Post-Employment Benefits**

***Benefits Plan.*** The District administers a single-employer defined benefit healthcare plan (the "Plan") that provides a contribution for medical and prescription drug benefits (the "Benefits") to eligible employees. Eligible certificated employees have attained age 55, completed at least 15 years of service with the District, and are at the maximum step of their salary column placement at the time of retirement. Classified employees become eligible after the earlier of (i) attainment of age 55 and completion of at least 25 consecutive years of service, or (ii) attainment of age 60 and completion of at least 15 consecutive years of service. Eligible certificated management and classified employees have attained age 55 and completed at least 5 years of service with the District. As of June 30, 2018, there were 54 retirees and beneficiaries currently receiving Benefits and 2,143 active employees who might later become eligible to retire and receive the Benefits.

***Funding Policy.*** The District's funding policy is based on the projected pay-as-you-go financing requirements. For fiscal year 2017-18, the District contributed $436,396 to the Plan, including an implicit subsidy of $176,782. For fiscal year 2018-19, the District contributed $1,671,886 (estimated) to the Plan, including an implicit subsidy of $677,273 (estimated). For fiscal year 2019-20, the District has budgeted a contribution of $766,140 to the Plan, including an implicit subsidy of $310,360.

Retirees and current employees in the District's health insurance plan are insured together as a group, and it is assumed that the premiums paid for retirees insurance coverage is lower than they would have been if the retirees were insured separately. When premiums charged for retiree healthcare are lower than expected claims, an implicit subsidy is realized. The District is required to include the value of this implicit subsidy in the GASB 75 liability. See "- Accrued Liability" below.

***Accrued Liability.*** The District has implemented *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB Statement No. 74") and *GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB Statement No. 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB Statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study for the Plan was dated October 18, 2018 (the "Study"), and had a valuation date of July 1, 2018. The Study concluded that the Total OPEB Liability (the "TOL") with respect to such Benefits was $33,421,358. Because the District does not maintain a qualifying irrevocable trust, the District's Net OPEB Liability (the "NOL") is equal to the TOL. For more information regarding the District's other post-employment benefit liability, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

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

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

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

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 is effective for employer fiscal years beginning after June 15, 2017. The District first recognized GASB Statement No. 74 and GASB Statement No. 75 in its financial statements for fiscal year 2017-18. See "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

**PARS Supplementary Retirement Plan**

On May 7, 2015, the District approved the implementation of the PARS Supplementary Retirement Plan (the "2015 Supplementary Retirement Plan"), an early retirement incentive for full-time certificated non-management, certificated and classified management, and classified non-management employees. A total of 74 employees are participating in the 2015 Supplementary Retirement Plan. The District must pay $784,895 each year through 2020 for the liability in connection with the 2015 Supplementary Retirement Plan.

On May 1, 2018, the District approved the implementation of an additional PARS Supplementary Retirement Plan (the "2018 Supplementary Retirement Plan"), an early retirement incentive for full-time certificated non-management and classified non-management employees. A total of 66 employees are participating in the 2018 Supplementary Retirement Plan. The District must pay $782,780 each year from 2019 through 2023 for the liability in connection with the 2018 Supplementary Retirement Plan.

As of June 30, 2018, the District's total remaining liability under both plans described above was $5,483,690.

**Self-Insurance Fund**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self-Insurance Fund (the "Self-Insurance Fund") to account for and finance its uninsured risk of loss and certain other employee benefits. The following coverage is provided through the Self-Insurance Fund.

***Insurance.*** Premiums for COBRA and retiree health plans are paid through the Self-Insurance Fund. The District's liability is limited by the premiums paid.

***Workers' Compensation.*** The Self-Insurance Fund provides coverage up to a maximum of $500,000 for each workers' compensation claim. The District purchases commercial insurance for claims in excess of coverage provided by the Self-Insurance Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

Funding of the Self-Insurance Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' compensation claims are charged to the respective funds which generate the liability. As of June 30, 2018, the amount of the District's workers' compensation liability was estimated at $18,960,101.

See "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 17" attached hereto.

## Joint Powers Agreements

The District participates in two joint powers agreements (each a "JPA"): CSAC Excess Insurance Authority, which arranges for and provides property and liability insurance for its members and SISC (see "- Alternative Retirement Plans" herein). Each JPA is governed by a board consisting of a representative from each member district, and each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing board. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. See "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 18" attached hereto.

## District Debt Structure

***Short-Term Debt.*** The District currently has no outstanding short-term debt obligations.

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

| | **Balance July 1, 2017** | **Additions** | **Deductions** | **Balance June 30, 2018** |
|---|---|---|---|---|
| COPS/QZAB | $1,166,664 | -- | $166,662 | $1,000,002 |
| General Obligation Bonds | | | | |
| 2008 Series 2009A-2 Bonds | 92,285,000 | -- | 2,235,000 | 90,050,000 |
| 2008 Series 2012 Bonds | 107,200,000 | -- | 3,555,000 | 103,645,000 |
| 2008 Series 2016 Bonds | 100,000,000 | -- | 1,620,000 | 98,380,000 |
| 2014A Refunding Bonds | 4,560,000 | -- | 1,440,000 | 3,120,000 |
| 2014B Refunding Bonds | 68,715,000 | -- | 22,425,000 | 46,290,000 |
| 2016A Refunding Bonds | 10,830,000 | -- | 155,000 | 10,675,000 |
| 2016B Refunding Bonds | 78,470,000 | -- | -- | 78,470,000 |
| Premium on Bonds – 2009 Bonds | 2,578,667 | -- | 151,675 | 2,426,992 |
| Premium on Bonds – 2012 Bonds | 11,757,229 | -- | 587,851 | 11,169,378 |
| Premium on Bonds – 2014 Bonds | 455,689 | -- | 165,704 | 289,985 |
| Premium on Bonds – 2016 Bonds | 26,422,283 | -- | 2,018,134 | 24,404,149 |
| Subtotal GO Bonds | 503,273,868 | -- | 34,353,364 | 468,920,504 |
| PARS Supplementary Retirement Plan | 2,354,685 | $3,913,900 | 784,895 | 5,483,690 |
| Total OPEB Liability[(1)] | 30,822,948 | 2,598,410 | -- | 33,421,358 |
| Net Pension Liability | 184,955,257 | 31,940,345 | -- | 216,895,602 |
| Compensated Absences | 2,408,371 | -- | 113,954 | 2,294,417 |
| Totals | $724,981,793 | $38,452,655 | $35,304,921 | $728,015,573 |

(1) July 1, 2017 balance restated by $19,643,684 for the cumulative effect of the adoption of GASB Statement No. 75.
*Source: Pasadena Unified School District.*

***General Obligation Bonds***. The District received authorization at an election held on November 4, 2008 by at least fifty-five percent of the votes cast by eligible voters within the District to issue $350,000,000 maximum principal amount of general obligation bonds (the "2008 Authorization"). On September 17, 2009, the District caused the issuance of $40,320,000 aggregate principal amount of the 2009 General Obligation Bonds (Election of 2008), Series 2009A-1 (the "2008 Series 2009A-1 Bonds"). Concurrently with the issuance of the 2008 Series 2009A-1 Bonds, the District caused the issuance of $84,680,000 aggregate principal amount of the 2009 General Obligation Bonds (Election of 2008), Series 2009A-2 (Federally Taxable Build America Bonds) (the "2008 Series 2009A-2 Bonds"). On July 3, 2012, the District caused the issuance of $125,000,000 aggregate principal amount of the 2008 Series 2012 Bonds. On May 25, 2016, the District caused the issuance of $100,000,000 aggregate principal amount of the 2008 Election General Obligation Bonds, Series 2016 (the "2008 Series 2016 Bonds"). No portion of the 2008 Authorization remains unissued.

On March 20, 2014, the District issued its 2014 General Obligation Refunding Bonds, Series A (Tax-Exempt) in an aggregate principal amount of $5,985,000 (the "2014A Refunding Bonds") and 2014 General Obligation Refunding Bonds, Series B (Federally Taxable) in an aggregate principal amount of $96,045,000 (the "2014B Refunding Bonds") to advance refund a portion of the District's then-outstanding 2005 General Obligation Refunding Bonds, which had been issued on July 13, 2005 to refund certain outstanding general obligation bonds. On May 25, 2016, the District issued its 2016 General Obligation Refunding Bonds, Series A in the aggregate principal amount of $11,025,000 (the "2016A Refunding Bonds") to advance refund certain of the District's then-outstanding 2008 Series 2009A-1 Bonds. Concurrently with the issuance of the 2016A Refunding Bonds, the District issued its 2016 General Obligation Refunding Bonds, Series B (2019 Crossover) in the aggregate principal amount of $78,470,000 (the "2016B Refunding Bonds") to advance refund, on a crossover basis, certain of the District's then-outstanding 2008 Series 2009A-2 Bonds. The District expects to use the proceeds of the Bonds to advance refund certain of the outstanding 2008 Series 2012 Bonds.

The table on the following page summarizes the District's outstanding general obligation bonded indebtedness.

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**COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE**
**Pasadena Unified School District**

| Year Ending (August 1) | 2008 Series 2012 Bonds[1] | 2014A Refunding Bonds[2] | 2014B Refunding Bonds[2] | 2008 Series 2016 Bonds | 2016A Refunding Bonds | 2016B Refunding Bonds | The Bonds[3] | Total Annual Debt Service |
|---|---|---|---|---|---|---|---|---|
| 2020 | $5,426,750.00 | $1,583,625.00 | $22,861,143.00 | $3,851,850.00 | $3,509,125.00 | $3,504,500.00 | $4,157,540.86 | $44,894,533.86 |
| 2021 | 4,046,250.00 | -- | -- | 3,851,850.00 | 3,688,875.00 | 3,504,500.00 | 3,789,873.36 | 18,881,348.36 |
| 2022 | 4,047,750.00 | -- | -- | 3,951,850.00 | 3,874,000.00 | 3,504,500.00 | 3,789,031.36 | 19,167,131.36 |
| 2023 | -- | -- | -- | 4,517,850.00 | -- | 7,404,500.00 | 7,473,459.66 | 19,395,809.66 |
| 2024 | -- | -- | -- | 5,019,350.00 | -- | 7,609,500.00 | 7,473,897.86 | 20,102,747.86 |
| 2025 | -- | -- | -- | 5,544,100.00 | -- | 7,814,500.00 | 7,472,499.46 | 20,831,099.46 |
| 2026 | -- | -- | -- | 6,089,600.00 | -- | 8,028,500.00 | 7,476,352.06 | 21,594,452.06 |
| 2027 | -- | -- | -- | 6,663,350.00 | -- | 8,245,000.00 | 7,472,544.36 | 22,380,894.36 |
| 2028 | -- | -- | -- | 7,257,350.00 | -- | 8,467,750.00 | 7,473,336.36 | 23,198,436.36 |
| 2029 | -- | -- | -- | 7,878,850.00 | -- | 8,695,250.00 | 7,475,630.86 | 24,049,730.86 |
| 2030 | -- | -- | -- | 8,529,600.00 | -- | 8,936,000.00 | 7,476,866.06 | 24,942,466.06 |
| 2031 | -- | -- | -- | 9,211,800.00 | -- | 9,175,600.00 | 7,473,786.06 | 25,861,186.06 |
| 2032 | -- | -- | -- | 9,917,800.00 | -- | 9,424,000.00 | 7,475,982.46 | 26,817,782.46 |
| 2033 | -- | -- | -- | 10,665,200.00 | -- | 9,675,000.00 | 7,469,335.40 | 19,167,131.36 |
| 2034 | -- | -- | -- | 11,425,800.00 | -- | 9,947,600.00 | 7,472,646.60 | 28,846,046.60 |
| 2035 | -- | -- | -- | 20,247,400.00 | -- | -- | 7,475,483.90 | 19,167,131.36 |
| 2036 | -- | -- | -- | 22,565,800.00 | -- | -- | 7,472,703.26 | 30,038,503.26 |
| 2037 | -- | -- | -- | -- | -- | -- | 7,474,304.66 | 7,474,304.66 |
| Total | $13,520,750.00 | $1,583,625.00 | $22,861,143.00 | $147,189,400.00 | $11,072,000.00 | $113,936,700.00 | $123,845,274.60 | $434,008,892.60 |

(1) Matures May 1. Excludes debt service on the Refunded Bonds expected to be refinanced with proceeds of the Bonds as described herein.
(2) Matures November 1.
(3) Matures May 1.
*Source: Pasadena Unified School District.*

***Certificates of Participation.*** On July 31, 2008, the District executed and delivered its 2008 Certificates of Participation (QZAB Program) in the aggregate principal amount of $2,500,000 (the "2008 Certificates") pursuant to Section 1397E of the Internal Revenue Code to finance certain capital improvements. The capital projects qualified for funding under the Qualified Zone Academy Bond ("QZAB") program. The District is required to make lease payments, which are deposited in the lease payment fund maintained by a trustee. The trustee will pay from the lease payment fund the required principal and interest payments as follows:

**ANNUAL LEASE PAYMENTS – CERTIFICATES OF PARTICIPATION**
**Pasadena Unified School District**

| Lease Payment Date | Principal Component | Interest Component | Total |
|---|---|---|---|
| July 31, 2020 | $166,666.67 | $50,000.00 | $216,666.67 |
| July 31, 2021 | 166,666.67 | 50,000.00 | 216,666.67 |
| July 31, 2022 | 166,666.67 | 50,000.00 | 216,666.67 |
| July 31, 2023 | 166,666.67 | 50,000.00 | 216,666.67 |
| Totals | $666,666.68 | $200,000.00 | $866,666.68 |

*Source: Pasadena Unified School District.*

***Leases.*** The District entered into operating leases for Chromebooks with a lease term in excess of one year. The agreement does not contain a purchase option. Future minimum lease payments under the agreement as follows:

**ANNUAL LEASE PAYMENTS – CHROMEBOOK LEASES**
**Pasadena Unified School District**

| Year Ending June 30, | Lease Payment |
|---|---|
| 2020 | $2,276,356 |
| 2021 | 2,276,356 |
| Total | $4,552,712 |

*Source: Pasadena Unified School District.*

The District entered into five-year lease purchase agreement for network equipment. Future minimum lease payments under the agreement as follows:

**ANNUAL LEASE PAYMENTS – NETWORK EQUIPMENT LEASES**
**Pasadena Unified School District**

| Year Ending June 30, | Lease Payment |
|---|---|
| 2020 | $252,549.33 |
| 2021 | 252,549.33 |
| 2022 | 252,549.33 |
| 2023 | 252,549.33 |
| Total | $1,010,197.32 |

*Source: Pasadena Unified School District.*

## TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Bond will increase the Owner's basis in the Bond. Owners of Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Bonds.

The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the Owner of a Bond realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. The Owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The federal tax and State of California personal income tax discussion set forth above with respect to the Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as Appendix A.

## LIMITATION ON REMEDIES; BANKRUPTCY

### General

State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed thereby, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

**Statutory Lien**

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Security and Sources of Payment" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

**Special Revenues**

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

**Possession of Tax Revenues; Remedies**

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's pooled investment fund, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX E – Los Angeles County Treasury Pool" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

**Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights**

The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## LEGAL MATTERS

**Legality for Investment in California**

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

**Expanded Reporting Requirements**

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

**Escrow Verification**

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of the Refunded Bonds on the redemption date therefor, as well as the interest due thereon on and prior to such date.

**Continuing Disclosure**

***Current Undertaking.*** In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain 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 (which currently ends June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of the Rule.

The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

***Prior Undertakings.*** Within the past five years, the District has failed to file in a timely manner a portion of the annual report for fiscal year 2013-14, as required pursuant to its prior continuing disclosure undertaking with respect to the 2008 Series 2009A-1 Bonds and 2008 Series 2009A-2 Bonds. Within such period, the District has also failed to file in a timely manner certain notices of listed events.

**Litigation**

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

There are a small number of lawsuits and claims pending against the District. 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 finances of the District.

**Financial Statements**

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 14, 2018 of CliftonLarsonAllen LLP (the "Auditor"), are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon as APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

**Legal Opinion**

The legal opinion of Bond Counsel approving the validity of the Bonds will be supplied to the original purchasers thereof without cost. The proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

## MISCELLANEOUS

**Ratings**

The Bonds are expected to be assigned ratings of "A2" and "AA" by Moody's and S&P, respectively, based upon the issuance of the Policy by AGM on the date of issuance of the Bonds. The Bonds have also been assigned underlying ratings of "Aa3" and "A+" by Moody's and S&P, respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007 and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the

District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "LEGAL MATTERS - Continuing Disclosure" herein and "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

**Underwriting**

RBC Capital Markets, LLC (the "Underwriter") has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of $96,570,815.00 (which is equal to the principal amount of the Bonds of 96,910,000.00, less an underwriting discount of $339,185.00).

The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

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

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

RBC CM made a voluntary contribution to the committee that was formed to support the election that authorized the issuance of the 2008 Series 2012 Bonds that are being refunded with proceeds of the Bonds.

**Additional Information**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, the Escrow Agreement, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds.

**PASADENA UNIFIED SCHOOL DISTRICT**

By: /s/ Leslie Barnes, Ed.D.
Chief Business Officer

## APPENDIX A

## FORM OF OPINION OF BOND COUNSEL

*Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:*

September 11, 2019

Board of Education
Pasadena Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $96,910,000 Pasadena Unified School District (Los Angeles County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), and a resolution (the "Resolution") adopted by the Board of Education of the Pasadena Unified School District (the "District") on August 1, 2019.

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest on the Bonds is exempt from State of California personal income tax.

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

6. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount

payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of a Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5) and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

# APPENDIX B

## 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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# PASADENA UNIFIED SCHOOL DISTRICT
# LOS ANGELES COUNTY

# REPORT ON AUDIT OF FINANCIAL STATEMENTS
# AND SUPPLEMENTARY INFORMATION
# INCLUDING REPORTS ON COMPLIANCE
**June 30, 2018**

**PASADENA UNIFIED SCHOOL DISTRICT**

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CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Board of Education
Pasadena Unified School District
Pasadena, California

## Report on the Financial Statements

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

## Management's Responsibility for the Financial Statements

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

## 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.

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

**Summary of Opinions**

| Opinion Unit | Type of Opinion |
|---|---|
| Governmental Activities | Unmodified |
| General Fund | Unmodified |
| Building Fund | Unmodified |
| Bond Interest and Redemption Fund | Unmodified |
| Debt Service Fund | Unmodified |
| Aggregate Remaining Fund Information | Qualified |

**Basis for Qualified Opinion on Aggregate Remaining Fund Information**

As discussed in Note 16 to the financial statements, the District sponsored a Part-Time Employees' Retirement Plan (PTERP) from January 1, 1992 through June 30, 2000. The plan was a single-employer defined-benefit pension plan. The plan was formally terminated on April 27, 2010. However, the plan had been inactive since 2000. Management of the District has determined that there is not sufficient plan data available to allow for the implementation of GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Accounting principles generally accepted in the United States of America require that employers recognize a liability for the total pension liability as defined in GASB Statement 73. Because there is not sufficient plan data available, the total pension liability could not be calculated and District management elected to omit the Pension Trust Fund and the related disclosures from the financial statements. The amount by which this departure would affect the assets, fund balances and revenues of the pension trust fund has not been determined.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the District as of June 30, 2018, 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.

**Unmodified Opinions**

In our opinion, the financial statements listed above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2018, 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.

# INDEPENDENT AUDITORS' REPORT

## Emphasis of Matter

During the fiscal year ended June 30, 2018, the District reported a restatement for a prior period adjustment (see Note 20). Our auditors' opinion was not modified with respect to the restatement.

In addition, during the fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 21). Our auditors' opinion was not modified with respect to the restatement.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and schedule of the District's pension contributions, 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 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.

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 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

## INDEPENDENT AUDITORS' REPORT

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 Introductory Section, 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 14, 2018 on our consideration of the effectiveness 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

CLIFTONLARSONALLEN LLP
Glendora, California
December 14, 2018

PASADENA UNIFIED SCHOOL DISTRICT

INTRODUCTORY SECTION
JUNE 30, 2018

## Introduction

Founded in 1874, the Pasadena Unified School District (PUSD, District) now serves more than 17,000 students at 29 sites in the Altadena, Pasadena, and Sierra Madre areas located just 15 minutes from downtown Los Angeles.

The District has 19 elementary schools that serves approximately 8,256 students in transitional kindergarten-fifth grade. These Elementary schools have strong visual and performing arts programs and offer an array of educational choices with themed instruction in International Baccalaureate, Dual Language Immersion, Science, Technology, Engineering and Math Programs (STEM).

At the secondary level, PUSD's five middle school programs serves 3,795 students in grades six through eight and are designed for the developing adolescent, with campuses equipped with science, performing arts, athletic facilities, and themed programs in Science, Technology, Engineering, Arts and Math (STEAM). Faculty and staff are trained to deliver curriculum that keeps young minds and bodies engaged and active. The visual and performing arts and International Baccalaureate are available at three campuses.

PUSD's five high schools prepared 4,830 students for both college and careers with a range of advanced placement, sports, and extracurricular activities. Students can select from general education, International Baccalaureate or College and Career Pathway Academy Programs that link classroom learning with internships and other professional learning experiences.

At the Pasadena Unified School District, we challenge our diverse student body to collaborate and think critically, inspired by a rigorous curriculum informed by the creativity and innovation of the vibrant economy and culture of the greater Pasadena area. The result is that PUSD graduates are attractive to colleges and employers and are equipped for a rapidly changing world.

## Overview

The following discussion and analysis provides an overview of the financial position and activities of the Pasadena Unified School District for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Fiscal year 2017-18 was the fifth year of the implementation of the Local Control Funding Formula (LCFF). The LCFF is a major change to how California has supported Local Educational Agencies. Through the Local Control Funding Formula, the state is providing for the decision making power to be at the local educational agencies' level so they can effectively respond to the needs they see for students. In addition, this shifts California from treating funding as an input to support students to a resource that is linked to performance expectations.

Complementing the changes to state funding made by the Local Control Funding Formula is a required Local Control and Accountability Plan (LCAP). The LCAP is LCFF's vehicle for transparency and engagement. It is the way that LEAs are expected to share performance data, needs, actions, and anticipated outcomes that guide the use of available LCFF funding. LCAPs are three-year plans, but may be updated annually.

The LCAP serves as the plan that operationalizes the goals, priorities and instructional and socio-emotional supports for the students and staff of our District. During the 2015-16 school year the District led a concerted effort to ensure an increased alignment with our values, priorities, strategic directives and LCAP goals adding even more support for the targeted student sub-groups. This has resulted in a more focused and responsive LCAP. The LCAP had 10 goals during the 2015-16 school year, these have been further refined and combined into five goals beginning in the 2016-17 school year.

The ongoing process of the development, review, assessment and update of the LCAP, spending and action plan continues to include different stakeholder groups which include, certificated, classified, administration, employees, parents, community partners and students.

Several construction projects were completed in fiscal year 2017-18 from our bond fund Measure TT. Facilities are built with flexibility and adaptability as instructional, physical, academics and social development spaces. Additionally, they are equipped with infrastructure to support the latest technology and design elements that are created to maximize sustainability, conserve energy and natural resources. The District continues with its internal collaboration to ensure that facilities, technology, academics and instructional needs are tied to support twenty-first century learning.

The District's management team, in collaboration with outside partners, continues to pursue other funding opportunities through gifts, donations, and competitive grants to augment the funds for a variety of local initiatives to promote safety, mental health, environmental awareness, life science application, healthy start, art and music appreciation and team sports. Our mission is to ultimately provide a balanced and well-rounded learning experience for all Pasadena Unified School District students.

**Noteworthy 2017-18 Awards & Accomplishments**

- Eugene Field Elementary and Alexander Hamilton Elementary were named 2018 California Distinguished Schools by the California Department of Education (CDE). The schools were honored for making exceptional gains in implementing academic content and performance standards.

- Marshall Fundamental Secondary School and Pasadena High School were awarded U.S. News & World Report silver medals as part of the magazine's 2018 Best High Schools annual ranking that highlights the country's top public schools. Rankings are based on student achievement and college readiness data, including Advanced Placement test participation and passage rates.

- Don Benito Fundamental, Hamilton Elementary, Pasadena High, and Willard Elementary were named California Honor Roll Schools by the Educational Results Partnership (ERP) and its Campaign for Business and Education Excellence (CBEE), an alliance of California business and academic leaders. Schools receiving the honor roll distinction have demonstrated consistently high levels of student academic achievement, improvement in achievement levels over time, and reduction in achievement gaps among student populations. For high schools, the honor roll recognition also includes measures of college readiness.

- In 2018, Marshall Fundamental Secondary School was the only high school to earn the "Award of Excellence," the highest honor in the annual Civic Learning Awards program sponsored by California Supreme Court Chief Justice Tani G. Cantil-Sakauye and State Superintendent of Public Instruction Tom Torlakson. The award honors Marshall's annual civic education program that has focused on drought, transportation, and waste management. The award included a visit by the Chief Justice.

- Washington STEAM Multilingual Academy was the first school in California to earn the National Certificate for STEM Excellence from the National Institute for STEM Education (NISE). The National Certificate for STEM Excellence recognizes individual school campuses for their commitment to and growth in teacher's implementation of 21st century and STEM strategies. The middle school magnet began offering Spanish dual language immersion and an early college focus in 2018-2019.

- Members of the Class of 2018 were accepted to public and private colleges and universities across the country and abroad, including Brown University, Caltech, Dartmouth, Georgetown, Harvard, Julliard, MIT, Occidental College, Princeton University, UCLA and UC Berkeley, USC, Stanford, Cal Poly San Luis Obispo, and the American University of Paris. Graduates will attend college, and enter apprenticeships and the armed forces.

    - The Class of 2018 won more than $16.9 million in scholarships and grants. Among the Class of 2018 are National Merit Scholars, International Baccalaureate Diploma and Certificate candidates, National Honor Society members, California Scholarship Federation sealbearers, Golden State Seal Merit Diplomas, athletes, and more.

    - 102 graduates earned California's Seal of Biliteracy, which recognizes high school graduates who have attained a high level of proficiency in speaking, reading, and writing one or more languages in addition to English.

- With projects on plant development, physics, and engineering, Pasadena Unified School District (PUSD) ten 6-12th grade students won awards at the 2018 Los Angeles County Science Fair.

- In 2018, a new student-run credit union opened on the campus of John Muir High School, an Early College Magnet. The credit union opened to gives students real-world work experience while providing banking and financial services for the surrounding community. The new Pasadena Service Federal Credit Union branch employs and trains students in John Muir's Business & Entrepreneurship Academy.

- In 2017, PUSD'S Math Academy was awarded a $300,000 grant through the Pasadena Educational Foundation (PEF). The Math Academy that is rapidly accelerating the advanced math skills of Pasadena Unified middle and high school students. The grant funds the development expansion of the Math Academy, which operates at McKinley K-8 School, Sierra Madre Middle School, and Washington STEAM Multilingual Magnet Academy. Seventh grade students Math Academy students took -- and passed --- the Advanced Placement Calculus test last year.

- PUSD implemented the first year of the $14.5 million Magnet School Assistance Program (MSAP) grant awarded by the U.S. Department of Education to support programs that promote diversity and increase student achievement at three schools in the district's Northwest neighborhoods: Altadena Elementary, Washington STEAM Magnet, and John Muir High School. The new federal grant funds, awarded over the next five years, enables Altadena Elementary to focus on visual and performing arts; Washington STEAM Magnet, a middle school, adds Spanish dual language immersion classes to its STEAM-themed program (Science, Technology, Engineering, Arts, and Mathematics); and John Muir High School strengthens each of the three academy offerings (Engineering and Environmental Science; Arts, Media and Entertainment; and Business and Entrepreneurship) with state-of-the-art equipment and training and expands its Early College offerings in partnership with Pasadena City College.

- Over the past three summers, as a collaboration between the Pasadena Unified School District (PUSD) and the Pasadena Chamber of Commerce and Civic Association, juniors and seniors in high school have interned with local companies, such as Kaiser Permanente, Vroman's Bookstore, Ronald McDonald House, Pasadena Service Federal Credit Union, Huntington Hospital, The Law Offices of Donald P. Schweitzer and Health Advantage Physical Medicine. Some student interns have gone on to employment with their host company. Dozens of local business people and entrepreneurs have spent time with students in PUSD career academy classrooms discussing careers, assisting with resume writing, practicing interview skills and supporting classroom education.
  The Pasadena Chamber Workforce Development efforts support the Health Careers Academy at Blair High School, the Law and Public Service and APP Academy at Pasadena High School, the Engineering and Environmental Science Academy and

Business and Entrepreneurship Academy at Muir High School. The Chamber also works with the CEO Academy at Rose City High School.

- Award-winning School Gardens program has built school gardens at 20 campuses, providing outdoor learning, seeding innovation, and promoting health and nutrition.

**Final Introductory Thoughts**

- The annual budget was adopted with careful planning and cautious optimism. The budget was developed in support of the Board's strategic directives and focus areas: Dynamic Instruction, High Performance and Accountable Organization, Quality Learning Environment, Excellent Customer Service, Recruiting and Retaining Outstanding Staff and Meaningful collaboration and partnerships with students, families, and our communities on our shared values and vision. The District has entered the new fiscal year with even greater understanding of the basic principles of the LCFF and their impact on the District's general revenues for years to come. The District has embraced LCAP and ensuring within its implementation, continuous input from all stakeholders throughout the District and community.

- We look forward to working within the commitment and guidance provided by the LCAP and the District annual budget for a year of opportunities, excitement, and success in 2018-19.

- In the years to come, the District will continue to focus on efficiency and accountability during its declining enrollment, creating and refining new process and procedures implementing best practices while addressing needs and increased mandates with unique and innovative responses. The District will continue to make a concerted effort to be fiscally responsible, build its reserve for future needs and plan ahead for the inevitable downturn in the economy.

- The Board of Education and District Leadership have developed strategic directions to make bold shifts necessary to achieve our Core Beliefs. This aligned framework is designed to inform policies, decisions, budget development, and the overall operation of the District to drive towards results. Embedded in the framework is the routine measurement of progress and self-assessment to ensure continuous improvements and accountability by all levels of the organization. It embraces a new way of doing business by moving into a systematic approach that will drive Pasadena Unified School District towards excellence.

## Financial Highlights

This section provides some highlights of the major financial occurrences or events at the District during 2017-18.

- FY 2017-18 marked the fourth year the District maintained an enrollment better than was projected in the adopted budget assumptions. The budget was initially based on greater declining numbers.

- The District's 2017-18 beginning net position, as restated due to GASB 75 implementation, is $103.6 million. However, the District's 2017-18 ending net position increased by $8.6 million. The 2016-17 year ended with a net position of $123.3 million before restatement and 2017-18 year ended with a net position of $111.7 million.

- The Local Control Funding Formula (LCFF) provided $155.7 million in state revenue compared to $153.8 million in 2016-17, an increase of about $1.9 million dollars. The LCFF is partially funded by some components of the old revenue limits and formerly restricted categorical program funding, now made a part of LCFF. Most of the additional funding comes from cost of living adjustments, class size reduction augmentation and supplemental and concentration grants.

- The District continues its partnership with the Self-Insured School of California (SISC), a JPA, after joining in April of 2014 to stabilize the health insurance premium fluctuation. Because of this change, the District, on an ongoing basis, continues to take advantage of lower fixed administrative cost and lower claim risk factor due to SISC benefits pool purchases.

- The major program that operated at a deficit in 2017-18 whose excess expenditures are covered by General Fund, is Special Education with a contribution of $27,224,444. Additionally, the District contributes $4,366,592 to Routine Restricted Maintenance which is higher than the minimum required contribution.

- In 2017-18, Food and Nutritional Services Fund ended the year with an ending fund balance of $2.28 million compared to $3.16 million in 2016-17, a decrease of approximately $1 million dollars. The decline is attributable to decline in enrollment; 1,394 less students served in 17-18 than was served in 16-17.

- The District added about $45.3 million to capital assets and completed building projects, net of depreciation and asset retirements. Total amount of capitalized assets at year end was $571 million compared to $525.7 million in 2016-2017.

- Major grants or entitlements received in 2017-18 were:

| | Resource | Description | 17-18 Award |
|---|---|---|---|
| a. | 41240.0 | 21st Cent. Title IV Blair | 874,888.00 |
| b. | 42010.0 | TITLE III | 54,045.00 |
| c. | 42030.0 | TITLE III | 209,929.00 |
| d. | 58131.1 | MSAP | 3,263,637.00 |
| e. | 58135.0 | PUSD Positive School Climate | 318,126.00 |
| f. | 60100.0 | ASES: After School Ed & Safety | 3,782,271.00 |
| g. | 63870.0 | CAREER TECHNICAL EDU. INCENTIVE | 570,683.00 |
| h. | 90811.0 | AEBG-Adult Ed. Block Grant | 640,000.00 |
| i. | 30100.0 | TITLE I | 4,291,578.00 |
| j. | 70850.0 | CALIFORNIA LEARNING | 586,667.00 |
| k. | 90400.0 | Mental Health Services | 3,500,000.00 |

## Enrollment and Average Daily Attendance (ADA)

For the year ended in June 2018, the District, served 16,813 pupils (P-2) from kindergarten through twelfth grade by offering Regular Education, Special Education, Continuation Education, Non-Public School and Independent Study Programs. The majority of those students reside within the District boundary in the communities of Pasadena, Altadena and Sierra Madre. The District's P-2 ADA was 17,618.41. This number includes students who were enrolled in the five local charter schools sponsored by the District. Being a declining enrollment district, prior year ADA along with other variables, help establish the basis for state apportionment, providing funding for staffing and other student needs, and facilities planning.

The District maintained its ADA to enrollment ratio of 95 percent. The District submitted the P-2 Attendance report with 16,093 ADA and Enrollment of 16,881 (excluding Charter Schools). However, the 2017-18 Apportionment was based on the higher 2016-17 ADA, as the District was held harmless for one year due to our status as a declining enrollment District. The funding formula calls for the use of greater of current and prior years' ADA.

## Local Control Funding Formula (LCFF) and Unduplicated Count

The LCFF includes the following components applicable to the District:

- Until the LCFF is fully implemented, the state budget provides annual increases in LCFF funding to close the gap between the LCFF target entitlements and the funding that a district receives in a given year. This is referred to as gap closure. Annual progress is proportional to the statewide funding provided to implement the LCFF and move districts toward their individual targets which is the annual percentage of gap closure. With the 2018-19 budget, the gap closure is now funded at 100 percent and this means that future funding increases will depend on cost of living adjustments (COLA) if appropriated and/or any legislative action to change the funding formula.

- Provides a base grant for each school district per average daily attendance (ADA). The base grants would vary based on grade span.

- Provides percentage grade span augmentation adjustment on the base grant amount for kindergarten through grade three (K–3). As a condition of receiving these funds, the LEA shall progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade three, unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school site. Now that the LCFF is fully implemented, districts without a collectively bargained alternative must maintain the school site enrollment average of 24 to continue to receive the K-3 grade span adjustment allocation.

- Provides a supplemental grant equal to 20 percent of the adjusted base grant for targeted disadvantaged students. Targeted students are those classified as English learners (EL), eligible to receive a free or reduced-price meal (FRPM), foster youth, or any combination of these factors (unduplicated count).

- Provides a concentration grant equal to 50 percent of the adjusted base grant for targeted students exceeding 55 percent of an LEA's enrollment.

- The District's 2017-18 P-2 Unduplicated Count was 10,740 at 65 percent, however, the state uses a three-year average for the calculation above.

- The budget maintains Home-to-School Transportation and Targeted Instructional Improvement Block Grant funding as add-ons to the LCFF. The budget requires LEAs to maintain 2012–13 expenditure levels on transportation out of funds received for this purpose.

**Staffing**

The District allocated staff to sites and programs based on pre-approved staffing ratio.

Additional support was provided to certain "Signature" programs such as Dual Immersion, International Baccalaureate, and Junior Reserve Officers' Training Corps., and sites based on identified needs.

The LCFF has a statutory requirement for the school districts that receive the Grade Span Adjustment (GSA) to make progress toward a maximum average class size of 24 pupils in grades K-3 at each school site.

As for the non-teaching staff, each school has one principal; middle and high schools have at least one or more assistant principals depending on grade level student population. The counselor ratio is 400:1 for the Grades 7-12 students with minor adjustment as determined by Human Resources and appropriate logistically.

Each of the four comprehensive high schools is staffed with one librarian and part-time athletic director. Nurses, security officers, and custodians are assigned to schools on an as needed basis. Other student support personnel, such as psychologists, speech and language pathologists and physical therapists, are mostly staffed as needed or based on caseload.

## Child Development Fund

The Child Development Fund earned approximately 83 percent of the contract amount from California State Pre-school Program. The remaining 17 percent of the program cost was supplemented by the fees collected in some of the full-priced local programs. The Mandarin pre-school program continues to be well received in the community. The Child Development Fund ended 2017-18 with $1.4 million in fund balance.

## Food Services Fund

The number of students who qualify for "Free or Reduced Price Meals" (FRPM) and who participated in the National Lunch Program, plays an important part in calculating the supplemental and concentration grants the District receives under the LCFF funding formula. The FRPM data collected in the Food Services point-of-sales system is uploaded to the Aeries Student Information System then submitted to the California Longitudinal Pupil Achievement Data System (CALPADS) during a reporting window annually. It is crucial now more than ever to process and approve the FRPM application accurately and in a timely manner. An online application system was launched in 2014-15 for an easy and fast application process. In the first year, over 10 percent of families utilized the online services. 43.5 percent used the system in the second year, 40 percent in 16-17, and in 17-18 51 percent of families utilized the online system.

Per guidance from US Department of Agriculture and California Department of Education the Food & Nutrition Services Fund should not maintain a reserve in excess of three months operating costs. The Food & Nutrition Services Department is committed to continuously improving services to support students by providing appetizing, attractive, and nutritious meals in a positive and safe environment. The department has increased student engagement in the menu development, to increase participation.

The Food & Nutritional Services Fund is largely funded from Federal resources which accounts for 87.7 percent of its total revenue. The remaining 12.3 percent is split between state at 5.4 percent and local sources at 6.9 percent. Total revenue for 2017-18 was $7.8 million and $8.7 million in expenses and the fund had an overall ending balance of $2.3 million including prior year carryover.

## Building Fund

The Building Fund was established to track most major construction projects in the District. Two bond proceeds – Measure Y and Measure TT have been used to finance the construction of facilities within Pasadena Unified School District. Measure TT projects are most active to support the existing modernization and new construction projects. In 2015-16, the District sold the $100 million remaining (3rd issuance) of the $350 million, Measure TT Bond Authorization. Additionally, the District refunded existing bonds for an additional $11 million and also added Premium on Bond for $13.2 million.

The District expended $51.1 million in the Building Fund in fiscal year 2017-18 and ended the year with over $150 million total costs under construction in progress and has budgeted $62 million for modernization and new construction in fiscal year 2017-18.

The Board Facilities Sub-committee continues to meet monthly to review and plan existing and future projects being proposed by staff and the construction team. The Facilities Sub-committee submits their recommendations to the Board of Education for approval on a regular basis depending on the current and future needs of the District. This information is also shared with the Citizen's Oversight Committee that meets regularly throughout the fiscal year. The 2016-2017 bond audit resulted in no findings or recommendations.

## Capital Facilities Fund

Capital Facilities Fund was set up to track developer fees. In 2017-18, the receipts totaled $888.8 thousand with an ending fund balance of $725 thousand. With the economy and housing market stable but projected to slow down in the near future, the flow of developer's fees in the coming years to fund the projects that will be needed from the new development in the area, may slow down as well.

## Special Reserve Fund for Capital Outlay Projects

The District issued Certificates of Participation/Qualified Zone Academy Bond (QZAB program) in 2008 to improve the District's infrastructure. The $1.3 million ending balance in this fund is mainly reserved for the repayment of the QZAB lease payments. The principal amount due each year is $166,667.

## Self-Insurance Fund

For years the District was self-insured in the workers' compensation and medical prescription programs. To better manage the skyrocketing medical insurance premium, the District joined SISC, a JPA, in 2013-14 and no longer offers a stand-alone prescription plan as in the past. Due to the recent upward trend in the workers' compensation claims and the benefit payouts the District is still unable to set aside more reserve toward the unpaid loss calculated at a higher confidence level. The District changed Third-Party Administrators (TPA) for the Workers' Compensation program. Hazelrigg Claims Management Services (HCMS) was hired on January 1, 2014 as the TPA. The District continues to experience high level of workers' compensation claims. The estimated liability for open claims and incurred but not reported was $14.7 million. York was hired at the beginning of 2017-18 fiscal as the new TPA with the expectation of changing the claims liability trajectory.

## Fiduciary Funds

The District reconciles and clears on an on-going basis and at the end of the year, the Payroll Clearance Fund as has been done in the past. Any balances left in the fund at the close of the 2017-2018 year are for the tax liability or vendor payments due at the beginning of 2018-19.

## Fund Financial Statements

More detailed information about the District's most significant funds, not the District as a whole, are provided in the fund financial statements. Funds are accounting formats the District uses to keep track of specific sources of funding and expenditures in particular programs. Some funds are required by bond covenants and 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 and setting aside funds for retiree benefits).

The District maintains two 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 the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information is provided in the reconciliations provided after the governmental fund statements that explain the differences (or relationships).

**Fiduciary funds:** The District has Associated Student Body Funds maintained individually by each school with Associated Student Body activities using commercial bank account process and a Warrant Pass-through Fund for which it acts as the trustee, or fiduciary for assets that belong to others. 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 report the District's fiduciary activities. These activities are excluded from the government-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, deferred outflows of resources, liabilities and deferred inflows of resources 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 (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources, and net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources).

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 to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources (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 Net Position is normally presented in three major categories. The first category, net investment in capital assets, provides information in regards to equity amounts in property, plant, and equipment owned by the District. The second category is expendable restricted net position. This type of net position is available for expenditure by the District but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category provides information on unrestricted net position that are available for obligations as may be approved by the Board of Education.

The Statements of Net Position as of June 30, 2018 and 2017 are summarized below:

## Statement of Net Position

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Cash | $ 174,152,295 | $ 225,584,626 |
| Accounts receivable | 13,057,075 | 12,207,863 |
| Inventories | 243,181 | 269,920 |
| Prepaid expenditures | 45,632 | 55,193 |
| Investments | 87,116,300 | 90,278,864 |
| Capital assets, net | 571,057,299 | 525,103,306 |
| **Total Assets** | 845,671,782 | 853,499,772 |
| **Deferred Outflow of Resources** | | |
| Deferred charge on refunding | 4,142,712 | 6,182,468 |
| Deferred outflow of resources - pensions | 65,737,573 | 41,279,785 |
| **Total Deferred Outflow of Resources** | 69,880,285 | 47,462,253 |
| **Liabilities** | | |
| Accounts payable and other current liabilities | 37,966,172 | 68,455,143 |
| Unearned revenue | 1,249,563 | 4,287,854 |
| Long-term liabilities | 746,975,674 | 687,714,130 |
| **Total Liabilities** | 786,191,409 | 760,457,127 |
| **Deferred Inflows of Resources** | | |
| Deferred inflows of resources - pensions | 17,708,656 | 17,226,915 |
| **Net Position** | | |
| Net investment in capital assets | 102,488,816 | 23,936,990 |
| Restricted | 204,837,694 | 264,203,529 |
| Unrestricted | (195,674,508) | (164,862,536) |
| **Total Net Position** | $ 111,652,002 | $ 123,277,983 |

**Statement of Net Position (continued):**

- This is the fourth year the District has recognized the liability as a result of implementing GASB Statements No. 68 and No. 71 and the first year of implementation of GASB Statement No. 75 to recognize the full liability for other postemployment benefits other than pensions. The net pension liability increased in 2017-18 by $31.9 million. The recognition along with the bond refinancing liabilities and impact of restatement for cumulative effect of change in accounting principle - to reflect GASB 75 implementation, resulted in a negative Unrestricted net position of $195.7 million as of June 30, 2018, $19.6 million of it, is as a result of the GASB 75 restatement. The total net ending position of the government wide statement is $111.7 million mainly due to the continued operation of the District's Measure TT bond program.

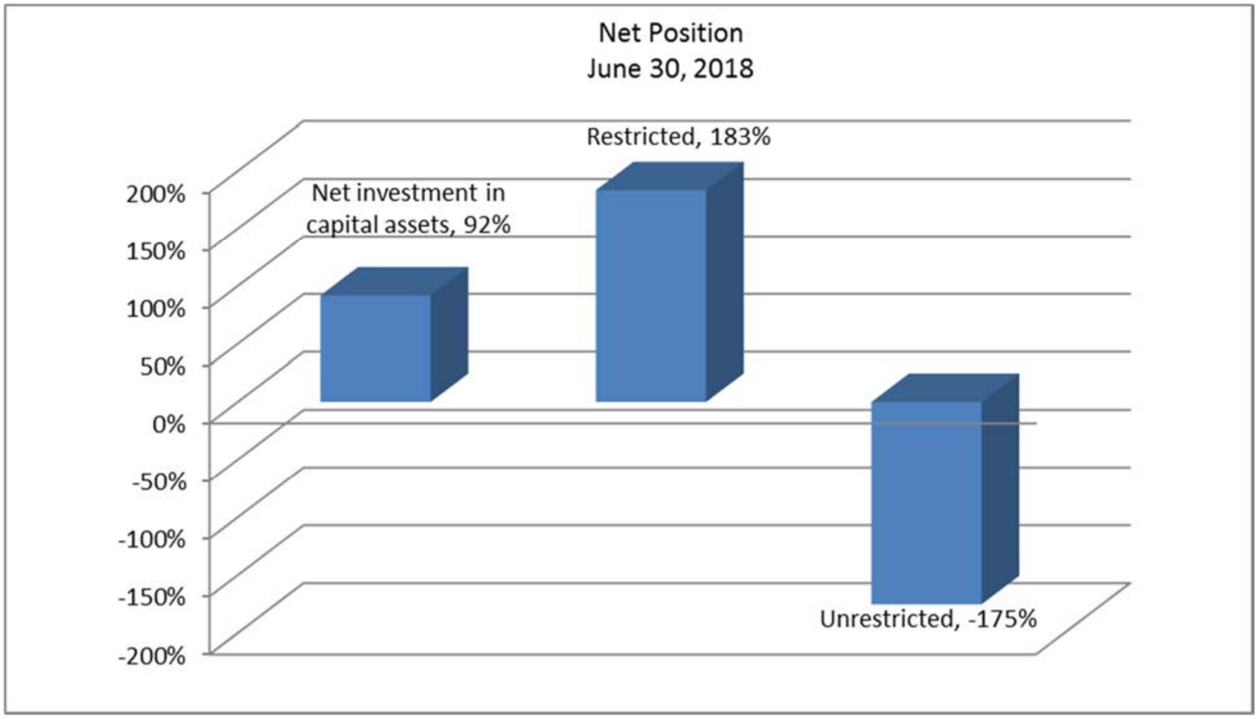
- Accounts receivable are mainly amounts due from local sources and State and Federal governments. Of the $13 million accounts receivable, $10.3 million is due from the federal and state governments and $2.7 million from other sources. Any revenues received in excess of expenditures are categorized as unearned revenues.

- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2018, including amounts owed to employees.

- Unearned revenues consist mainly of categorical program grant revenues received during the year but not earned/expended and deferred to the next fiscal year.

- Changes in Deferred outflow of resources - pensions, Deferred inflows of resources-pensions, and Unrestricted Net Position are a direct result of GASB 68.

- Material changes in long term liabilities are primarily as a result of the restated OPEB liability per GASB 75 implementation – was $11.2 million in 2017 and now restated to $30.8 million – and the new PARS supplementary retirement plan – was $2.4 million in 2017 but increased to $5.5 million in 2018 – and some increase in the Net pension liability from $185 million in 2017 to $216.9 million in 2018.




## Statement of Activities

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the 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 year ended June 30, 2018 and 2017 are summarized as follows:

## Statement of Activities

| | 2018 | 2017 |
|---|---|---|
| **Revenues** | | |
| Program revenues: | | |
| Charges for services | $ 3,307,068 | $ 3,313,909 |
| Operating grants and contributions | 70,379,433 | 64,154,300 |
| Capital grants and contributions | | 359,905 |
| General revenues: | | |
| Property taxes | 129,122,740 | 129,783,594 |
| Grants, subsidies and unrestricted contributions | 77,750,389 | 73,391,531 |
| Interest and investment earnings | 951,219 | 39,490 |
| Miscellaneous | 5,908,906 | 5,137,058 |
| Total revenues | 287,419,755 | 276,179,787 |
| **Expenses** | | |
| Instruction | 141,315,958 | 130,546,851 |
| Instruction related services | 35,458,906 | 32,922,395 |
| Pupil services | 31,789,504 | 30,377,370 |
| General administration | 13,836,637 | 15,998,024 |
| Plant services | 23,141,201 | 22,219,372 |
| Ancillary services | 761,631 | 728,668 |
| Community services | 149,128 | 206,832 |
| Other outgo | 1,199,430 | 472,453 |
| Debt service - interest | 19,155,317 | 19,160,506 |
| Depreciation (unallocated) | 11,987,879 | 11,751,613 |
| Total expenses | 278,795,591 | 264,384,084 |
| **Increase in Net Position** | 8,624,164 | 11,795,703 |
| **Net Position - Beginning of Year, as restated** | 103,027,838 | 111,482,280 |
| **Net Position - End of Year** | $ 111,652,002 | $ 123,277,983 |

Overall, revenues increased approximately $11.2 million from 2016-17 and with $10.6 million of it coming from two categories – "Operating grants and contributions" and "Grants, subsidies, and unrestricted contributions". The District's Local Control Funding Formula (LCFF) is calculated using various data such as Average Daily Attendance, Supplemental and Concentration percentages, prior year and current year enrollment, class size reduction, augmentation, etc. The calculation determines the District's allocation. The allocation is then funded by two components, state resources and property taxes. As the property tax component increases, the state allocation decreases and vice versa to fund the total calculated revenue due to the District.

Expenses in this table are categorized by specific functions as required by GASB Statement No. 34. The year ended with a total increase in expenses of $14.4 million dollars over 2016-17. There were material increases in Instruction, Instruction related services and Pupil services, accounting for $14.7 million of the total $16.6 million-dollar increase. In line with the superintendent and board goals and objectives, of the total reduction in expenses of $2.22 million, all were away from the classroom and specifically $2.16 million was from General Administration.

The expense category of "general administration" refers to agency-wide administrative activities that are accounted for in the general fund. Examples of the administrative activities are establishing and administering policies for operating the District, budgeting and disbursements, financial accounting, payroll, recruitment and placement of personnel, purchasing, receiving, storing, and distributing supplies, materials, and mail. The reduction can be partially attributed to board approved fiscal stabilization plan.

The information in the following table shows the District's largest functions and each program's net cost (total cost less revenues generated by the activities). This table also provides information on the net cost offset by unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

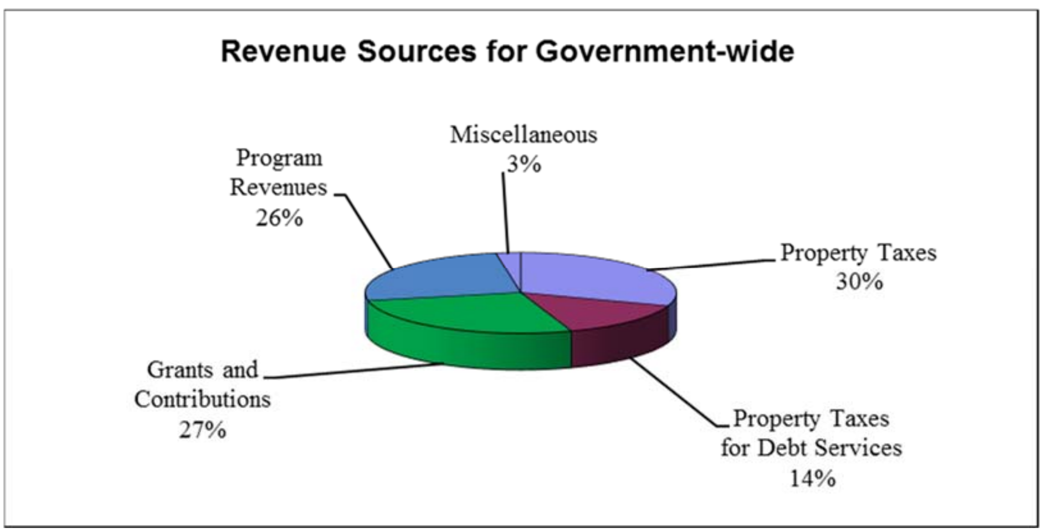
A schedule of Governmental Activities for June 30, 2018 and 2017 is shown as follows:

**Governmental Activities**

| Functions/Programs | Fiscal Year ended June 30, 2018 Total cost of Services | Fiscal Year ended June 30, 2018 Net cost of Services | Fiscal Year ended June 30, 2017 Total cost of Services | Fiscal Year ended June 30, 2017 Net cost of Services |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Instruction | $ 141,315,958 | $ (104,497,547) | $ 130,546,851 | $ (96,206,567) |
| Instruction - related services | 35,458,906 | (23,815,392) | 32,922,395 | (20,707,854) |
| Pupil services | 31,789,504 | (12,766,067) | 30,377,370 | (12,786,037) |
| General administration | 13,836,637 | (10,914,617) | 15,998,024 | (13,069,699) |
| Plant services | 23,141,201 | (22,583,156) | 22,219,372 | (21,802,029) |
| Ancillary services | 761,631 | (727,655) | 728,668 | (719,433) |
| Community services | 149,128 | (149,128) | 206,832 | (206,832) |
| Other outgo and debt service | 20,354,747 | (17,667,649) | 19,632,959 | (16,911,164) |
| Depreciation (unallocated) | 11,987,879 | (11,987,879) | 11,751,613 | (11,751,613) |
| Total governmental activities | $ 278,795,591 | $ (205,109,090) | $ 264,384,084 | $ (194,161,228) |

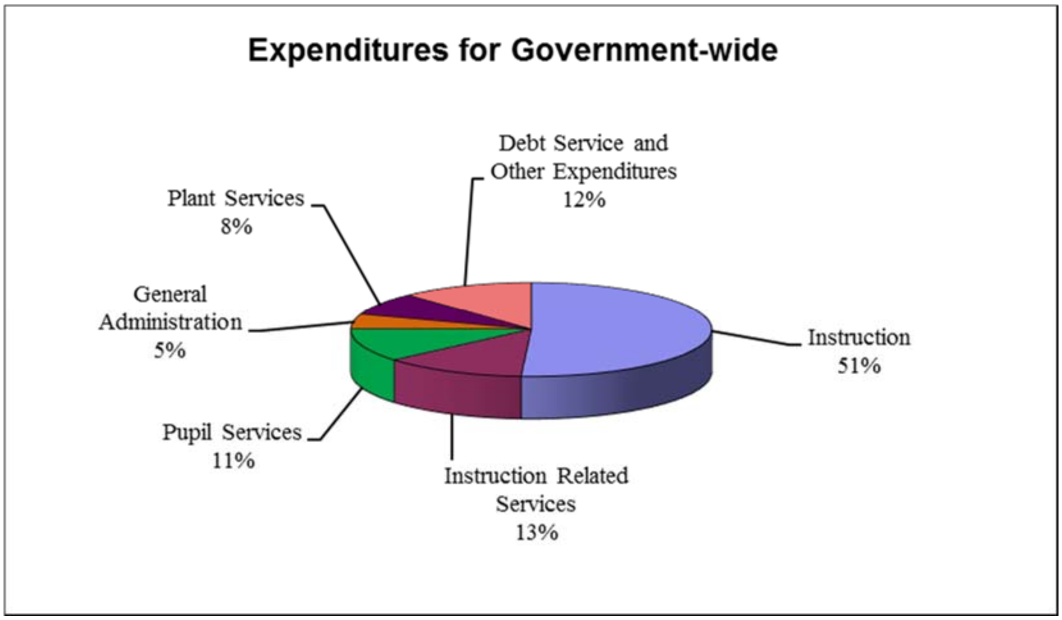
- The District's Governmental Funds include Debt Service Funds, Special Revenue Funds, Capital Projects Funds and most importantly, the General Fund. Figures 1 and 2 summarize the District's Governmental Funds' revenues and expenditures.

**Figure 1**




- The District's core instructional programs are mainly funded by Property Taxes (for general purposes) and Program Revenues, adding up to 56 percent of the government-wide revenues. The remaining revenues are 27 percent Grants and Contributions, the next 17 percent is made up 3 percent Miscellaneous, and 14 percent Property Taxes (for debt service). A total of 41 percent (Property Taxes for Debt Services & Grants) of revenues fund specific programs or purposes, such as paying off bond and loans, child nutrition programs, preschool programs, and constructing capital facilities.

**Figure 2**




The District's largest operating expenses are primarily for Instruction and Instruction Related Services, totaling 64 percent of the government-wide expenditures. Salaries and benefits are the major components of these two spending categories. The District expended approximately 11 percent of total expenditures on Pupil Services which includes but not limited to physical and mental health services, testing and assessment, nutrition services, and transportation. The General Administration and Plant Services combined makes up 13 percent of the expenses paying for central administration, technology services, audit and legal services, security, routine maintenance, gardening, janitorial services, utilities, etc. Debt Services and Other Expenditures make up the final 12 percent.

## Capital Asset and Debt Administration

### Capital Assets

The Governmental Accounting Standards Board Statement No. 34 requires that governmental agencies account for fixed assets in the same way that private and public corporations do. This involves recognizing the value of the agency's fixed assets, such as, land, building and equipment in the fixed asset section of the balance sheet. Districts must now track depreciation on major assets.

In November 2008, the voters approved Measure TT authorizing the District to issue $350 million in general obligation bonds to repair and upgrade aging facilities. The District has issued $125 million of these bonds in early September 2009 and another $125 million, the 2012 series was issued in July 2012. The final $100 million was issued in May 2016.

During the fiscal year of 2017-18, the District increased its capital assets position by $45.3 million after deducting the depreciation and asset retirements. Building and Building Improvements increased by $1.2 million and Construction in Progress increased by $43 million. The District will continue its modernization and construction projects with the remainder of bond funds to support twenty first century learning. A schedule of capital assets for June 30, 2018 and 2017 is shown as follows:

**Capital Assets**

| | 2018 | 2017 |
|---|---|---|
| Land | $ 4,458,821 | $ 4,458,821 |
| Land improvements | 5,372,555 | 5,836,346 |
| Buildings and improvements | 406,530,459 | 405,310,145 |
| Machinery, equipment and vehicles | 4,372,021 | 2,779,148 |
| Construction in progress* | 150,323,443 | 107,325,307 |
| Net capital assets | $ 571,057,299 | $ 525,709,767 |

* The July 1, 2017 balance of construction in progress has been restated by an increase of $606,461 as a result of a prior period restatement. See Note 20.

### Debt

Notes to the financial statements provide additional information on outstanding debt. Debt proceeds have been spent in prior years in modernization and the District is in repayment phase of its obligation.

A schedule of long term debt for June 30, 2018 and 2017 is shown as follows:

**Long Term Debt**

| | 2018 | 2017 |
|---|---|---|
| COPS/QZAB | $1,000,002 | $1,166,664 |
| General obligation bonds | 468,920,504 | 503,273,868 |
| PARS supplementary retirement plan | 5,483,690 | 2,354,685 |
| Total OPEB liability | 33,421,358 | 30,822,948 |
| Net pension liability | 216,895,602 | 184,955,257 |
| Compensated absences | 2,294,417 | 2,408,371 |
| Total long-term debt | $ 728,015,573 | $ 724,981,793 |

## General Fund Budget Information

The District's budget is prepared in accordance with California law and is based on generally accepted accounting principles, utilizing historical data, economical forecast, projections for revenues, expenses, average daily attendance, program adjustments, cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. Total General Fund Budget consists of General Fund Unrestricted and Restricted categories. The Unrestricted portion of the budget is the general operating revenues whereas Restricted funding comes to the District with restrictions for specific purposes, projects and programs.

The District begins the budget process in January of each year, to be completed by June 30. The assumptions are updated based on the Governor's January budget information as well as the May revision and board guidelines. The budget is based on staffing projections depending on projected enrollment for core curriculum as well as special funded programs. The school site and department budgets are reviewed periodically to ensure management becomes aware of any significant variations during the year.

During the fiscal year, the Board of Education authorized revisions to the original budget. The revisions allow for adjustments in the budget that are required to best meet the operating needs of the District as well as adding new program funding and resources or any changes to the original budget.

Variations between final budget amounts and the revised budgets were direct results of actions taken by the Board of Education to increase or reduce/defer expenditures and increase or decrease income during the fiscal year.

Variations between the original and final budget amounts were primarily created by the addition of carryover of funds from the prior year, revisions to revenue projections, adding new funding for categorical programs, adjustments to categorical programs based on actual grants/entitlements and adjustments to salaries and benefits based on actual full-time equivalents or other operating needs. These amounts were unknown at the time the original budget was adopted.

The Special Education Program is still the largest deficit-spending program in the Restricted General Fund. The 2013-14 contribution was $18.6 million, in 2014-15, it required a $21.6 million contribution from the Unrestricted General Fund to make the program whole. In 2015-16, the contribution was $22.8 million and 2016-2017 contribution was $23.2 million. At the end of 2017-18 fiscal year, the contribution was $27.2 million.

**2018-2019 PUSD Adopted Budget**

The 2018-2019 is the sixth year of implementation of the Local Control Funding Formula. The budget conforms to Local Control and Accountability Plan (LCAP) requirements and was reviewed and approved by Los Angeles County Office of Education.

The LCAP is LCFF's vehicle for transparency and engagement. It is the way that the District is expected to share identified goals and objectives, performance data, needs, actions, and anticipated outcomes that guide the use of available LCFF funding.

The LCAP identifies eight priority areas -

1. **Basic Necessities**: teachers, instructional materials, facilities
2. **Common Core State Standards**
3. **Parental Involvement**
4. **Student Achievement**: State assessments, API, EL reclassification rates, college preparedness, etc.
5. **Student Engagement**: attendance, dropout and graduation rates
6. **School Climate**: suspension and expulsion, parent surveys
7. **Access to Courses**
8. **Other**: student outcomes in subject areas

The LCAP budget planning requires the engagement of all the stakeholders. After a series of meetings through community forums, parent advisory committees, and work groups, the District held a hearing in late June for public comments and the board formally adopted the LCAP which was included in the District's final approved budget for 2018-19.

The following are the assumptions used for the 2018-19 Adopted Budget:

1. Local Control Funding Formula (LCFF)
    - Projected Enrollment – 16,438
    - Due to declining enrollment, Average Daily Attendance (ADA) funded in 2018-19 is estimated at 16,041 and 17-18 P-2 came in at 16,041
    - 3-year average - Unduplicated Pupil Count for English Learners, Free or Reduced-Price Meal and Foster Youth is projected at 63.9% - 10,771 students
    - Cost of Living Adjustment (COLA) – 2.71%
    - Augmented Base Grant amounts are $8,180 (K-3), $7,520 (Grade 4-6), $7,744 (Grade 7-8), and $9,206 (Grade 9-12).
    - LCFF current year funding is projected at $160,610,684

2. Other State Revenues
    - Lottery is budgeted at $146 per ADA for base and $48 for Prop 20 instructional supplies and materials.
    - Mandated Reimbursement Block Grant totaling $627,862. One time 344 per ADA discretionary funding of $5,518,100 is budgeted.
    - Local Control and Accountability Plan (LCAP) spending is budgeted at $23,253,986.
    - All the one-time revenues in 2017-18, such as carryover and sunset grants, have been removed in 2018-19 budget.

3. Ongoing grants or entitlements are adjusted for the actual allocation if the information is available.

4. Federal Revenues
    - All the one-time revenue in 2017-18, such as deferred revenue, carryover and sunset grants, have been removed in 2018-19 budget.
    - Ongoing grants or entitlements are adjusted for the actual allocation if the information is available.

5. Local Revenues
    - Gifts and Donations are budgeted only from the pledge and commitment.

6. Salary and Benefits
    - No bargaining agreements settlements were included in the 2018-19
    - Statutory benefit rates are: STRS (16.28%), PERS (18.062%), OASDI (6.2%), Medicare (1.45%), SUI (0.05%), OPEB (1.5%), and Workers' Comp (4.5%).

7. Books, Supplies, & Services
   - Any possible program carryover from 2017-18 is neither estimated nor budgeted.
   - Ongoing or new expenses are budgeted based on most recent information.

## Facts Known After the Adopted Budget

On November 6, Pasadena residents invested in the future of our schools with the passage of Measures I and J. Measure J, the advisory measure that supports Pasadena Unified schools with a portion of a sales tax increase, was approved by 70% of voters. Funding from Measure J will assure our schools of a local revenue source to support innovation and enhancements to our already-strong academic programs. Measure J will bring millions of dollars in investment capital to build on the excellence that gives our graduates a competitive edge for college, careers, and active citizenship.

## Contacting the District's Financial Management

This financial report is designed to provide the community, investors, creditors, and other interested parties, with a general overview of the District's financial condition and to show the District's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact:

Pasadena Unified School District
Chief Business Officer
351 South Hudson Avenue
Pasadena, CA 91101
626-396-3600

# FINANCIAL SECTION

# PASADENA UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION
## June 30, 2018

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash in county treasury | $ 172,827,326 |
| Cash in revolving fund | 475,000 |
| Cash in banks | 749,969 |
| Cash with fiscal agent-revolving | 100,000 |
| Accounts receivable | 13,057,075 |
| Inventories | 243,181 |
| Prepaid expenditures | 45,632 |
| Investments with escrow agent | 87,116,300 |
| Land | 4,458,821 |
| Construction in progress | 150,323,443 |
| Depreciable assets, net | 416,275,035 |
| **Total Assets** | 845,671,782 |
| **Deferred Outflows of Resources** | |
| Deferred charge on refunding | 4,142,712 |
| Deferred outflows - pensions | 65,737,573 |
| **Total Deferred Outflows of Resources** | 69,880,285 |
| **Liabilities** | |
| Accounts payable and other current liabilities | 35,175,483 |
| Accrued interest payable | 2,790,689 |
| Unearned revenue | 1,249,563 |
| Current portion of long-term liabilities | |
| Certificates of participation (QZAB program) | 166,667 |
| General obligation bonds | 33,805,000 |
| PARS supplementary retirement plan | 1,567,675 |
| Non-current portion of long-term liabilities | |
| Certificates of participation (QZAB program) | 833,335 |
| General obligation bonds | 435,115,504 |
| PARS supplementary retirement plan | 3,916,015 |
| Other postemployment benefits other than pensions | 33,421,358 |
| Net pension liability | 216,895,602 |
| Compensated absences | 2,294,417 |
| Estimated liability for open claims and IBNR's | 18,960,101 |
| **Total Liabilities** | 786,191,409 |
| **Deferred Inflows of Resources** | |
| Deferred inflows - pensions | 17,708,656 |
| **Net Position** | |
| Net investment in capital assets | 102,488,816 |
| Restricted for: | |
| Debt service | 132,373,084 |
| Educational programs | 4,466,161 |
| Capital programs | 64,398,369 |
| Other programs | 3,600,080 |
| Unrestricted | (195,674,508) |
| **Total Net Position** | $ 111,652,002 |

See accompanying notes to the financial statements

# PASADENA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## For the Fiscal Year Ended June 30, 2018

| Functions | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Instruction | $ 141,315,958 | $ 1,252,650 | $ 35,565,761 | $ (104,497,547) |
| Instruction - related services | 35,458,906 | 332,533 | 11,310,981 | (23,815,392) |
| Pupil services | 31,789,504 | 1,516,236 | 17,507,201 | (12,766,067) |
| Ancillary services | 761,631 | 2,761 | 31,215 | (727,655) |
| Community services | 149,128 | | | (149,128) |
| General administration | 13,836,637 | 122,440 | 2,799,580 | (10,914,617) |
| Plant services | 23,141,201 | 62,910 | 495,135 | (22,583,156) |
| Other outgo | 1,199,430 | 17,538 | 2,669,560 | 1,487,668 |
| Debt service - interest | 19,155,317 | | | (19,155,317) |
| Depreciation (unallocated) | 11,987,879 | | | (11,987,879) |
| **Total Governmental Activities** | $ 278,795,591 | $ 3,307,068 | $ 70,379,433 | (205,109,090) |
| | | | | |
| **General Revenues** | | | | |
| Property taxes levied for | | | | |
| General purposes | | | | 87,206,044 |
| Debt service | | | | 41,385,358 |
| Other specific purposes | | | | 531,338 |
| Federal and state aid not restricted to specific purposes | | | | 77,750,389 |
| Interest and investment earnings | | | | 951,219 |
| Miscellaneous | | | | 5,908,906 |
| **Total General Revenues** | | | | 213,733,254 |
| Change in net position | | | | 8,624,164 |
| Net Position - Beginning of Year, as originally stated | | | | 123,277,983 |
| Adjustment for restatement (see Note 20) | | | | (606,461) |
| Cumulative effect of change in accounting principle (see Note 21) | | | | (19,643,684) |
| Net Position - Beginning of Year, as restated | | | | 103,027,838 |
| Net Position - End of Year | | | | $ 111,652,002 |

See accompanying notes to the financial statements

## PASADENA UNIFIED SCHOOL DISTRICT

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## June 30, 2018

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash in county treasury | $ 43,287,048 | $ 66,139,989 | $ 45,256,784 | $ | $ 4,123,225 | $158,807,046 |
| Cash in revolving fund | 150,000 | | | | | 150,000 |
| Cash in bank | | | | | 749,969 | 749,969 |
| Cash with fiscal agent-revolving | 100,000 | | | | | 100,000 |
| Accounts receivable | 10,951,795 | 420,468 | | | 1,614,455 | 12,986,718 |
| Due from other funds | 70,199 | | | | | 70,199 |
| Inventories | 161,712 | | | | 81,469 | 243,181 |
| Prepaid expenditures | 45,632 | | | | | 45,632 |
| Investments with escrow agent | | | | 87,116,300 | | 87,116,300 |
| **Total Assets** | $ 54,766,386 | $ 66,560,457 | $ 45,256,784 | $ 87,116,300 | $ 6,569,118 | $260,269,045 |
| **Liabilities and Fund Balances** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts payable | $ 29,978,622 | $ 4,264,688 | $ | $ | $ 685,475 | $ 34,928,785 |
| Unearned revenue | 1,220,268 | | | | 29,295 | 1,249,563 |
| Due to other funds | | | | | 70,199 | 70,199 |
| **Total Liabilities** | 31,198,890 | 4,264,688 | - | - | 784,969 | 36,248,547 |
| **Fund Balances** | | | | | | |
| Nonspendable | 457,344 | | | | 81,469 | 538,813 |
| Restricted | 4,466,161 | 62,295,769 | 45,256,784 | 87,116,300 | 5,686,466 | 204,821,480 |
| Assigned | | | | | 16,214 | 16,214 |
| Unassigned | 18,643,991 | | | | | 18,643,991 |
| **Total Fund Balances** | 23,567,496 | 62,295,769 | 45,256,784 | 87,116,300 | 5,784,149 | 224,020,498 |
| **Total Liabilities and Fund Balances** | $ 54,766,386 | $ 66,560,457 | $ 45,256,784 | $ 87,116,300 | $ 6,569,118 | $260,269,045 |

See accompanying notes to the financial statements

# PASADENA UNIFIED SCHOOL DISTRICT

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

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 224,020,498 |
| Amounts reported for governmental funds are different than the statement of net position because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of: | | |
| Land | $ 4,458,821 | |
| Construction in progress | 150,323,443 | |
| Depreciable assets, net | 416,275,035 | 571,057,299 |
| 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 | (2,294,417) | |
| PARS supplementary retirement plan | (5,483,690) | |
| Certificates of Participation (COPS) | (1,000,002) | |
| General obligation bonds | (468,920,504) | |
| Net Other postemployment benefits other than pensions (OPEB) | (33,421,358) | |
| Net pension liability | (216,895,602) | (728,015,573) |
| 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 charge on refunding | 4,142,712 | |
| Deferred outflows - pensions | 65,737,573 | |
| Deferred inflows - pensions | (17,708,656) | 52,171,629 |
| An internal service funds is used by the District to cover the costs of worker's compensation and medical insurance programs. The assets and liabilities should be included with governmental activities. The fund consists of: | | |
| Assets | 14,415,637 | |
| Less: Liabilities | (19,206,799) | (4,791,162) |
| Interest expense related to general obligation bonds payable was incurred but not accrued through June 30, 2018. | | (2,790,689) |
| Total net position - governmental activities | | $ 111,652,002 |

# PASADENA UNIFIED SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2018

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Local control funding formula sources: | | | | | | |
| State apportionments | $ 74,153,985 | $ | $ | $ | $ | $ 74,153,985 |
| Local sources | 81,501,225 | | | | | 81,501,225 |
| Total local control funding formula sources | 155,655,210 | - | - | - | - | 155,655,210 |
| Federal sources | 16,668,637 | | 1,936,859 | | 7,063,722 | 25,669,218 |
| Other state sources | 38,933,057 | | 224,292 | | 6,695,133 | 45,852,482 |
| Other local sources | 12,422,692 | 1,430,756 | 43,808,994 | 341,936 | 2,778,263 | 60,782,641 |
| **Total Revenues** | 223,679,596 | 1,430,756 | 45,970,145 | 341,936 | 16,537,118 | 287,959,551 |
| **Expenditures** | | | | | | |
| Instruction | 127,388,587 | | | | 3,442,304 | 130,830,891 |
| Instruction - related services | 31,694,492 | | | | 1,004,934 | 32,699,426 |
| Pupil services | 21,937,045 | | | | 8,450,064 | 30,387,109 |
| Ancillary services | 721,538 | | | | | 721,538 |
| Community services | 141,225 | | | | | 141,225 |
| General administration | 12,656,725 | | | | 710,071 | 13,366,796 |
| Plant services | 24,086,089 | 51,103,553 | | | 3,973,446 | 79,163,088 |
| Other outgo | 1,197,780 | | | | | 1,197,780 |
| Debt service | | | 48,373,919 | 3,504,500 | 218,317 | 52,096,736 |
| **Total Expenditures** | 219,823,481 | 51,103,553 | 48,373,919 | 3,504,500 | 17,799,136 | 340,604,589 |
| Excess (deficiency) of revenues over expenditures | 3,856,115 | (49,672,797) | (2,403,774) | (3,162,564) | (1,262,018) | (52,645,038) |
| **Other Financing Sources (Uses)** | | | | | | |
| Interfund transfers in | 2,418,025 | | | | | 2,418,025 |
| Interfund transfers out | | | | | (2,418,025) | (2,418,025) |
| **Total Other Financing Sources (Uses)** | 2,418,025 | - | - | - | (2,418,025) | - |
| Net changes in fund balance | 6,274,140 | (49,672,797) | (2,403,774) | (3,162,564) | (3,680,043) | (52,645,038) |
| **Fund Balances at Beginning of Year, as originally stated** | 17,293,356 | 112,575,027 | 47,660,558 | 90,278,864 | 9,464,192 | 277,271,997 |
| Adjustment for restatement (see Note 20) | | (606,461) | | | | (606,461) |
| **Fund Balances at Beginning of Year, as restated** | 17,293,356 | 111,968,566 | 47,660,558 | 90,278,864 | 9,464,192 | 276,665,536 |
| **Fund Balances at End of Year** | $ 23,567,496 | $ 62,295,769 | $ 45,256,784 | $ 87,116,300 | $ 5,784,149 | $224,020,498 |

See accompanying notes to the financial statements

**PASADENA UNIFIED SCHOOL DISTRICT**

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
## June 30, 2018

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ (52,645,038) |
| 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, assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | $57,941,873 | |
| Depreciation expense | (11,987,879) | |
| Excess (deficiency) of capital outlay over depreciation expense | | 45,953,994 |
| Property taxes are recorded on a cash basis as they are not considered "available" revenues in the governmental funds. The net change in the receivable related to the property taxes levied for repayment of debt is: | | (1,480,275) |
| 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. | | |
| Certificates of participation (QZAB) program | 166,662 | |
| General obligation bond principal payments | 31,430,000 | 31,596,662 |
| 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: | | (7,964,298) |
| 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 | 117,563 | |
| Net increase in other postemployment benefits other than pensions (OPEB) | (2,598,410) | |
| Net decrease in compensated absences | 113,954 | |
| Net decrease in premium on general obligation bonds | 2,923,364 | |
| Net increase in PARS supplementary retirement plan | (3,129,005) | |
| Net decrease in deferred charge on refunding bonds | (2,039,757) | (4,612,291) |
| An internal service fund is used by the District to charge the costs of the health and welfare and worker's compensation insurance program to the individual funds. The net income of the internal service funds are reported with governmental activities. | | (2,224,590) |
| Change in net position of governmental activities | | $ 8,624,164 |

See accompanying notes to the financial statements

# PASADENA UNIFIED SCHOOL DISTRICT

## STATEMENT OF FUND NET POSITION
## PROPRIETARY FUND
## June 30, 2018

| | | Governmental Activities: Internal Service Fund |
|---|---|---|
| | | Self-Insurance Fund |
| **Assets** | | |
| Cash in county treasury | $ | 14,020,280 |
| Cash in revolving fund | | 325,000 |
| Accounts receivable | | 70,357 |
| **Total Assets** | | 14,415,637 |
| **Liabilities** | | |
| Accounts payable | | 246,698 |
| Estimated liability for open claims incurred but not recorded | | 18,960,101 |
| **Total Liabilities** | | 19,206,799 |
| **Net Position** | | |
| Restricted | | (4,791,162) |
| **Total Net Position** | $ | (4,791,162) |

See accompanying notes to the financial statements

# PASADENA UNIFIED SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
## PROPRIETARY FUND
## For the Fiscal Year Ended June 30, 2018

| | Governmental Activities: Internal Service Fund |
|---|---|
| | Self-Insurance Fund |
| **Operating Revenues** | |
| Self-insurance premiums | $ 9,662,447 |
| Other operating revenue | 303,346 |
| **Total Operating Revenues** | 9,965,793 |
| **Operating Expenditures** | |
| Classified salaries | 50,809 |
| Employee benefits | 35,314 |
| Payment for claims, premiums and administrative costs | 12,289,076 |
| **Total Operating Expenditures** | 12,375,199 |
| Net operating loss | (2,409,406) |
| **Non-Operating Revenues** | |
| Interest income | 184,816 |
| **Total Non-Operating Revenues** | 184,816 |
| Net loss | (2,224,590) |
| **Net Position at Beginning of Year** | (2,566,572) |
| **Net Position at End of Year** | $ (4,791,162) |

See accompanying notes to the financial statements

## PASADENA UNIFIED SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUND
## June 30, 2018

| | Governmental Activities: Internal Service Fund |
|---|---|
| | Self-Insurance Fund |
| **Cash Flows from Operating Activities** | |
| Cash received from self-insurance premiums | $ 9,662,447 |
| Cash received from premiums and other revenues | 303,346 |
| Cash paid for claims | (7,905,508) |
| Cash paid to employees | (86,123) |
| Net cash provided by operating activities | 1,974,162 |
| **Cash Flows from Investing Activities** | |
| Interest income | 168,860 |
| Net cash provided by investing activities | 168,860 |
| Net increase in cash | 2,143,022 |
| Cash - July 1, 2017 | 12,202,258 |
| Cash - June 30, 2018 | $ 14,345,280 |

**Reconciliation of operating loss to**
**net cash provided by operating activities**

| | |
|---|---|
| **Operating Loss** | $ (2,409,406) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Changes in operating assets and liabilities: | |
| Accounts payable | 181,050 |
| Estimated liability for open claims incurred but not recorded | 4,202,518 |
| Total adjustments | 4,383,568 |
| **Net cash provided by operating activities** | $ 1,974,162 |
| Cash balances at June 30, 2018 consisted of the following: | |
| Cash in county treasury | $ 14,020,280 |
| Cash in revolving fund | 325,000 |
| Total | $ 14,345,280 |

See accompanying notes to the financial statements

## PASADENA UNIFIED SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION
### June 30, 2018

| | Agency Funds |
|---|---|
| | Associated Student Body Funds |
| **Assets** | |
| Cash and cash equivalents | $ 800,498 |
| Accounts receivable | 537 |
| Inventories | 30,852 |
| **Total Assets** | 831,887 |
| | |
| **Liabilities** | |
| Accounts payable | 1,502 |
| Funds held in trust | 830,385 |
| **Total Liabilities** | $ 831,887 |

See accompanying notes to the financial statements

## 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.

## 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. Nonmajor 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.

***Community Services:*** includes activities that provide services to community participants other than students.

***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.

## 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.

**Building Fund:** used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

**Bond Interest and Redemption Fund**: used to account for the payment of principal and interest on general obligation bonds.

**Debt Service Fund**: used to account for the proceeds of the 2016 Refunding Bond, Series B (2019 Crossover) held in escrow and the activity maintained by the escrow agent until the crossover date. See additional information in Note 11.

### 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.

*Adult Education Fund:* used to account for resources restricted or committed to adult education programs.

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*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 general fixed assets.

*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:* used to account for specific board-approved capital expenditures.

### 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 two 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 resources committed to the District's medical insurance program.

### 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 seven Associated Student Body funds.

### 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 $(870,044) on June 30, 2018, which represents prepayment of withholdings payable.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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.

### 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, 2018, the inventory for supplies is $161,712. The inventory for food is $81,469.

### Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 acquisition 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 | 25 - 50 years |
| Furniture and equipment | 5 - 15 years |
| Vehicles | 8 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 by the District that is applicable to a future reporting period.

***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 – Pensions:*** The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 14 to the financial statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Unearned Revenue

Cash received for federal and state special projects and 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. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances 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 Plan' fiduciary net position have been determined on the same basis as they are reported by CalSTRS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 14 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 improvements 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:

***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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

resources have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

***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 the Chief Financial Officer 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 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.

### 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 1$^{st}$. Taxes are payable in two installments on November 1$^{st}$ and February 1$^{st}$. Unsecured property taxes are payable in one installment on or before August 31$^{st}$.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 for local control funding formula purposes. Property taxes for debt service purposes have not been accrued in the Government-wide financial statements as the amount is not material.

### 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. 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.

### 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, 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.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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.
- 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 units have been excluded from the District's reporting entity:

**The Pasadena Foundation:** The Foundation is a separate not-for-profit corporation. The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. Separate financial statements for the Foundation may be obtained through the Foundation.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**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 criterions 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: 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.

## NOTE 3: 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 does not have a deposit policy for custodial risk. As of June 30, 2018, $1,848,589 of the District’s bank balance of $2,945,572 was exposed to credit risk.

### 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 carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 98.6604% of amortized cost. The District’s deposits in the fund are considered to be highly liquid.

## NOTE 3: 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 statues and the County Board of Supervisors set forth the various investment policies that the Country 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.

### Investments with Refunding Escrow Agent

The District's investment activity managed by the debt refunding escrow agent are governed by the Escrow Deposit and Trust Agreement (the Agreement). The Agreement defines the types of securities authorized, including term to manage interest rate risk, and credit quality and concentration to manage credit risk. Investments are selected to provide adequate earnings to pay interest due on the refunding bonds through and including the redemption date.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs.

## NOTE 3: DEPOSITS AND INVESTMENTS

As of June 30, 2018, the District's had the following investments held by the refunding escrow agent:

| Investment Type | Credit Rating | Maturity | Cost | Fair Value |
|---|---|---|---|---|
| Cash and cash equivalents: | | | | |
| Cash (Level 1) | n/a | n/a | $ 82 | $ 82 |
| Total cash and cash equivalents | | | 82 | 82 |
| Debt securities: | | | | |
| U.S. Treasury bonds (Level 1) | n/a | 1-2 years | 89,779,953 | 87,116,218 |
| Total debt securities | | | 89,779,953 | 87,116,218 |
| Total investments with escrow agent | | | $ 89,780,035 | $ 87,116,300 |

## NOTE 4: ACCOUNTS RECEIVABLE

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

| Accounts Receivable | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds | Proprietary Fund: Self-Insurance Fund | Governmental Activities |
|---|---|---|---|---|---|---|
| Federal and state | $ 8,793,552 | $ | $ 1,554,865 | $10,348,417 | $ | $10,348,417 |
| Miscellaneous | 2,158,243 | 420,468 | 59,590 | 2,638,301 | 70,357 | 2,708,658 |
| Total accounts receivable | $10,951,795 | $ 420,468 | $ 1,614,455 | $12,986,718 | $ 70,357 | $13,057,075 |

## NOTE 5: 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 Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2018 are temporary loans and are detailed as follows:

| Fund | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $ 70,199 | $ - |
| Non-Major Governmental Funds: | | |
| Adult Education Fund | - | 70,199 |
| Total | $ 70,199 | $ 70,199 |

### 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 2017-18 year are as follows:

| | |
|---|---|
| Transfer from the Special Reserve Fund for Capital Outlay to the General Fund for Office of Public School Construction (OPSC) projects. | $ 2,418,025 |

## NOTE 6: FUND BALANCES

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

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| Nonspendable: | | | | | | |
| Cash in revolving fund | $ 150,000 | $ | $ | $ | $ | $ 150,000 |
| Cash with fiscal agent | 100,000 | | | | | 100,000 |
| Inventories | 161,712 | | | | 81,469 | 243,181 |
| Prepaid expenditures | 45,632 | | | | | 45,632 |
| Total nonspendable | 457,344 | - | - | - | 81,469 | 538,813 |
| Restricted: | | | | | | |
| Educational programs | 4,466,161 | | | | | 4,466,161 |
| Nutrition services | | | | | 2,199,550 | 2,199,550 |
| Capital projects | | 62,295,769 | | | 2,086,386 | 64,382,155 |
| Other programs | | | | | 1,400,530 | 1,400,530 |
| Debt service | | | 45,256,784 | 87,116,300 | | 132,373,084 |
| Total restricted | 4,466,161 | 62,295,769 | 45,256,784 | 87,116,300 | 5,686,466 | 204,821,480 |
| Assigned: | | | | | | |
| Capital projects | | | | | 16,214 | 16,214 |
| Total assigned | - | - | - | - | 16,214 | 16,214 |
| Unassigned: | | | | | | |
| Economic uncertainties | 13,099,776 | | | | | 13,099,776 |
| Unassigned | 5,544,215 | | | | | 5,544,215 |
| Total unassigned | 18,643,991 | - | - | - | - | 18,643,991 |
| Total fund balance | $ 23,567,496 | $ 62,295,769 | $ 45,256,784 | $ 87,116,300 | $ 5,784,149 | $ 224,020,498 |

## NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2018 is shown below.

| | Balance July 1, 2017 | Additions | Retirements | Balance June 30, 2018 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 4,458,821 | $ | $ | $ 4,458,821 |
| Construction in progress* | 107,325,307 | 54,435,413 | (11,437,277) | 150,323,443 |
| Total capital assets not being depreciated | 111,784,128 | 54,435,413 | (11,437,277) | 154,782,264 |
| Capital assets being depreciated: | | | | |
| Site improvements | 13,588,629 | | | 13,588,629 |
| Buildings | 551,272,821 | 12,014,959 | | 563,287,780 |
| Equipment | 23,069,953 | 2,322,316 | (187,050) | 25,205,219 |
| Total capital assets being depreciated | 587,931,403 | 14,337,275 | (187,050) | 602,081,628 |
| Less accumulated depreciation for: | | | | |
| Site improvements | (7,752,283) | (463,791) | | (8,216,074) |
| Buildings | (145,962,676) | (10,794,645) | | (156,757,321) |
| Equipment | (20,290,805) | (729,443) | (187,050) | (20,833,198) |
| Total accumulated depreciation | (174,005,764) | (11,987,879) | (187,050) | (185,806,593) |
| Depreciable assets, net | 413,925,639 | 2,349,396 | - | 416,275,035 |
| Governmental activities capital assets, net | $ 525,709,767 | $ 56,784,809 | $ (11,437,277) | $ 571,057,299 |

* The July 1, 2017 balance of construction in progress has been restated by an increase of $606,461 as a result of a prior period restatement. See Note 20.

## NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

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

| | Balance July 1, 2017 | Additions | Reductions | Balance June 30, 2018 | Amount Due in One Year |
|---|---|---|---|---|---|
| COPs/QZAB | $ 1,166,664 | $ | $ 166,662 | $ 1,000,002 | $ 166,667 |
| General Obligation Bonds | | | | | |
| 2009 Building America Bond | 92,285,000 | | 2,235,000 | 90,050,000 | 2,530,000 |
| 2012 Prop 39 Bond | 107,200,000 | | 3,555,000 | 103,645,000 | 4,180,000 |
| Series 2016 GO Bond | 100,000,000 | | 1,620,000 | 98,380,000 | 1,670,000 |
| 2014 Refunding Series A | 4,560,000 | | 1,440,000 | 3,120,000 | 1,575,000 |
| 2014 Refunding Series B | 68,715,000 | | 22,425,000 | 46,290,000 | 23,690,000 |
| 2016 Refunding Series A | 10,830,000 | | 155,000 | 10,675,000 | 160,000 |
| 2016 Refunding Series B | 78,470,000 | | | 78,470,000 | |
| Premium on Bonds - 2009 Bond | 2,578,667 | | 151,675 | 2,426,992 | |
| Premium on Bonds - 2012 Bond | 11,757,229 | | 587,851 | 11,169,378 | |
| Premium on Bonds - 2014 Bond | 455,689 | | 165,704 | 289,985 | |
| Premium on Bonds - 2016 Bond | 26,422,283 | | 2,018,134 | 24,404,149 | |
| Subtotal GO Bonds | 503,273,868 | - | 34,353,364 | 468,920,504 | 33,805,000 |
| PARS Supplementary Retirement Plan | 2,354,685 | 3,913,900 | 784,895 | 5,483,690 | 1,567,675 |
| Total OPEB Liability* | 30,822,948 | 2,598,410 | | 33,421,358 | |
| Net Pension Liability | 184,955,257 | 31,940,345 | | 216,895,602 | |
| Compensated absences | 2,408,371 | | 113,954 | 2,294,417 | |
| Total | $ 724,981,793 | $ 38,452,655 | $ 35,304,921 | $ 728,015,573 | $ 35,539,342 |

The July 1, 2017 balance has been restated by $19,643,684 for the cumulative effect of the adoption of Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. See Note 21.

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 9: LEASES

The District has entered into an operating leases for Chromebooks with a lease term in excess of one year. The agreement does not contain a bargain purchase option. Future minimum lease payments under the agreement are as follows:

## NOTE 9: LEASES

| Year Ending June 30, | Lease Payment |
|---|---|
| 2019 | $ 2,276,356 |
| 2020 | 2,276,356 |
| 2021 | 2,276,356 |
| Total | $ 6,829,068 |

There were no current year expenditures related to the lease. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

## NOTE 10: CERTIFICATES OF PARTICIPATION

The agreement dated July 1, 2008, is between the District as the "lessee" and the Public Property Financing Corporation of California (the Corporation) as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed for the sole purpose of acquiring equipment and capital outlay and then leasing such items to public entities. The District spent the proceeds on a capital project that qualifies for funding under the Qualified Zone Academy Bond (QZAB) program.

The Corporation's funds for acquiring these items were generated by the issuance of $2,500,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments.

Lease payments are required to be made by the District under the lease agreement on July 31 each year for use and possession of the equipment for the period commencing July 31, 2009 and terminating July 31, 2023. Lease payments will be funded in part from the proceeds of the Certificates. The interest rate is 2% for the length of the issuance.

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 |
|---|---|---|
| 2019 | $ 166,667 | $ 50,000 |
| 2020 | 166,667 | 50,000 |
| 2021 | 166,667 | 50,000 |
| 2022 | 166,667 | 50,000 |
| 2023 | 166,667 | 50,000 |
| 2024 | 166,667 | 50,000 |
| Total | $ 1,000,002 | $ 300,000 |

## NOTE 11: GENERAL OBLIGATION BONDS

### 1997 General Obligation Bond

On November 4, 1997, $240 million in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance improving the safety and the quality of education in schools, by repairing and rehabilitating aging schools, upgrading electrical, plumbing, sewer, heating and ventilation systems, renovating restrooms, replacing roofs, removing hazards from asbestos and earthquakes, modernizing science labs and libraries.

Between 1998 and 2003, the District issued bonds totaling $240 million. Between 2004 and 2005, the District issued refunding bonds to advance refund all outstanding issues. In 2014, the District issued refunding bonds (Series A and B) totaling $102,030,000 to advance refund portions of the 2005 refunding bonds.

The balance of the bonds refunded was $10,710,180 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 $1,785,030 was recognized during the year ended June 30, 2018.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The 2014 Series A and B refunding bonds included a premium of $994,233. This amount is amortized using the straight-line method and amortization of $165,704 was recognized during the year ended June 30, 2018.

### Measure TT

On November 4, 2008, $350 million in general obligation bonds were authorized by an election held within the District. The bonds were authorized to finance acquisition, construction and modernization of school facilities and pay related bond issuance costs. Between 2009 and 2016, the District issued bonds, Series 2009, Series 2012 and Series 2016, totaling $350 million.

Approximately $85 million of the Series 2009 were issued in Federally taxable Build America Bonds. The Build America Bonds program was created by the American Recovery and Reinvestment Act to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs. It authorizes state and local governments to issue taxable bonds to finance any capital expenditures for which they could otherwise issue tax-exempt governmental bonds. State and local governments then receive a direct federal subsidy payment for a portion of their borrowing costs on the Build America Bonds.

During 2015-16, the District issued 2016 Refunding Bond Series A and B, the proceeds of which are to be used to redeem certain maturities of the 2009 Bonds. The proceeds of the 2016 Refunding Bond Series A were placed into an irrevocable escrow account and will be used to fund the future

## NOTE 11: GENERAL OBLIGATION BONDS

required principal and interest payables of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements. The net carrying value of the bonds refunded was $1,528,363 less than the amount paid into the escrow account. This amount has been deferred and amortized over the life of the new debt which is the same as the life of the old debt and amortization of $254,726 was recognized during the year ended June 30, 2018. The amount of debt that remains outstanding at June 30, 2018 for the original Series 2009 issues is $10,600,000.

The proceeds of 2016 Refunding Bond Series B are used to redeem certain maturities of the 2009 Bonds, on a crossover refunding basis. The 2009 Bonds to be redeemed will remain outstanding until August 1, 2019 (the 2016 Refunding Bond Series B Crossover Date), upon which time proceeds of the 2016 Refunding Bond Series B will be used to redeem the principal and premium, if any, of the specific maturities to be redeemed. Principal of $84,680,000 of the 2009 Bonds is expected to be redeemed on August 1, 2019. For additional details on the crossover refunding and the 2016 Refunding Bond Series B, see below.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The 2009, 2012 and 2016 bonds and refunding bonds included a collective premium of $31,675,949. This amount is amortized using the straight-line method and amortization of $2,757,660 was recognized during the year ended June 30, 2018.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

| General Obligation Bonds | Date of Issue | Date of Maturity | Interest Rate % | Amount of Original Issue | Outstanding June 30, 2018 |
|---|---|---|---|---|---|
| 2009 Build America Bonds | 9/1/2009 | 8/1/2034 | 2.5-6.176% | $ 125,000,000 | $ 90,050,000 |
| 2012 Prop 39 Bond | 7/3/2012 | 5/1/2037 | 2.00-5.00% | 125,000,000 | 103,645,000 |
| 2014 Refunding Series A | 3/6/2014 | 11/1/2019 | 2.00-5.00% | 5,985,000 | 3,120,000 |
| 2014 Refunding Series B | 3/6/2014 | 11/1/2019 | 0.34-2.31% | 96,045,000 | 46,290,000 |
| 2016 Prop 39 Bond | 5/10/2016 | 8/1/2036 | 2.00-5.00% | 100,000,000 | 98,380,000 |
| 2016 Refunding Series A | 5/10/2016 | 8/1/2022 | 1.25-4.00% | 11,025,000 | 10,675,000 |
| 2016 Refunding Series B | 5/10/2016 | 8/1/2034 | 1.32%-2.69% | 78,470,000 | 78,470,000 |
| Total | | | | $ 541,525,000 | $ 430,630,000 |

## NOTE 11: GENERAL OBLIGATION BONDS

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

| Year Ending June 30, | Principal | Interest |
|---|---|---|
| 2019 | $ 33,805,000 | $ 19,921,287 |
| 2020 | 32,600,000 | 19,078,841 |
| 2021 | 6,845,000 | 18,111,305 |
| 2022 | 5,605,000 | 17,835,242 |
| 2023 | 9,745,000 | 17,521,054 |
| 2024-2028 | 88,115,000 | 76,508,005 |
| 2029-2033 | 135,825,000 | 47,421,126 |
| 2034-2037 | 118,090,000 | 10,506,646 |
| Total | $ 430,630,000 | $ 226,903,506 |

### Crossover Refunding Bonds

During the 2015-16 fiscal year, the District issued the 2016 Refunding Bonds Series B in the amount of $78,470,000 with a crossover date of August 1, 2019. The net proceeds of the refunding bonds were deposited into an escrow fund. Proceeds deposited into the escrow funds will be used to pay debt service on the refunding series until the respective crossover date, at which point the amounts on deposit in the escrow fund (including investment earnings thereon) will be applied to the redemption in full of certain maturities of the corresponding refunded series. The escrow fund has been invested at rates sufficient to pay interest on related series of refunding bonds through the crossover date.

During the period when both the refunded bond and the related refunding bonds are outstanding, the escrow fund containing the proceeds of the 2016 Refunding Bond Series B, will pay interest on the refunding bonds and is the sole source of payment for the bonds. Then, on the designated crossover date, the escrow fund will pay the principal and premium, if any, on the maturities of the 2009 Series bonds to be redeemed. The 2016 Refunding Bond Series B shall pay on a parity with the District's outstanding general obligation bonds only following such respective redemption and conditional on there being sufficient funds in the respective escrow fund to successfully redeem the specified maturities of the refunded bonds to be redeemed. The refunded portions of the District's outstanding bonds are considered to have been economically defeased and therefore will remain recorded on the financial statements until they are successfully redeemed.

The difference in gross cash flow requirements related to the refunding is a savings of total cash outflow of approximately $11,770,000. At the time of refunding, the net present value of the economic gain to the District was approximately $8,860,000.

## NOTE 12: PARS SUPPLEMENTARY RETIREMENT PLAN

On May 7, 2015, the Board of Education adopted a resolution for the implementation of an early retirement incentive known as the PARS Supplementary Retirement Plan for full-time certificated non-management, certificated and classified management, and classified non-management.

A total of 74 employees are participating. The District will pay benefits from 2016 through 2020 totaling $3,924,475. $784,895 is due annually.

On February 1, 2018, the Board of Education adopted a resolution for the implementation of an additional early retirement incentive known as the PARS Supplementary Retirement Plan for full-time certificated non-management and classified non-management.

A total of 66 employees are participating. The District will pay benefits from 2019 through 2023 totaling $3,913,900. $782,780 is due annually beginning July 10, 2018.

The total remaining liability of $5,483,690 has been reflected in these financial statements.

## NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

### Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides medical, dental and prescription drug benefits to all full-time Certificated, Management and Classified employees between the ages of 55 and 65 and retiring with at least 15 years of service. Part-time employees working at 75% of a full-time assignment also receive full benefits. 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.

| Participant Type: | Number of Participants |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefit payments | 54 |
| Active plan members | 2,143 |
| Total | 2,197 |

### 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, 2018, the District contributed $436,396 to the plan, which includes an implicit subsidy of $176,482. Total member contributions were approximately $303,346.

## NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

### Total OPEB Liability

| Total OPEB Liability | Balance June 30, 2018 |
|---|---|
| Retiree Health Plan | $ 33,421,358 |

### Actuarial Methods and Assumptions

**Actuarial Assumptions**

The total OPEB liability was determined based on an actuarial valuation as of June 30, 2018. The following actuarial assumptions used in the June 30, 2018 measurement applied to all periods included in the measurement, unless otherwise specified.

| | |
|---|---|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry Age, Level Percent of Pay |
| Salary Increases | 3.00% |
| Inflation | 3.00% |
| Healthcare Costs Trend Rate | 5.00% |

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 3.62%. 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 Fidelity GO Bond 20-Year High Grade Rate Index.

**Changes in Assumptions**

Since the most recent GASB 45 valuation, the following change has been made:

- The discount rate changed from 4.00% to 3.62%.

## NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS

### Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---|
| Balance at June 30, 2017 | $ 30,822,948 |
| Changes for the year: | |
| Service cost | 1,926,844 |
| Interest | 1,107,962 |
| Benefit payments | (436,396) |
| Net changes | 2,598,410 |
| Balance at June 30, 2018 | $ 33,421,358 |

### Sensitivity

The following presents the District's OPEB liability calculated using the discount rate of 3.62%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.62%) or 1 percentage-point higher (4.62%) than the current rate:

| Discount rate | Total OPEB Liability |
|---|---|
| 1% decrease (2.62%) | $ 36,663,766 |
| Current discount rate (3.62%) | 33,421,358 |
| 1% increase (4.62%) | 30,485,128 |

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:

| Healthcare trend rate | Total OPEB Liability |
|---|---|
| 1% decrease (4.0%) | $ 29,662,063 |
| Current healthcare trend rate (5.0%) | 33,421,358 |
| 1% increase (6.0%) | 37,832,635 |

### OPEB Expense

For the fiscal year ended June 30, 2018, the District's actuarially-determined OPEB expense is $3,034,806.

## NOTE 14: 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, 2018, 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:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS (STRP) | $ 143,344,000 | $ 43,638,243 | $ 14,767,742 | $ 13,799,901 |
| CalPERS (Schools Pool Plan) | 73,551,602 | 22,099,330 | 2,940,914 | 11,798,302 |
| | $ 216,895,602 | $ 65,737,573 | $ 17,708,656 | $ 25,598,203 |

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.

## NOTE 14: EMPLOYEE RETIREMENT PLANS

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

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

| Provisions and Benefits | STRP Defined Benefit Program and Supplement Program | |
|---|---|---|
| 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% | 9.205% |
| Required employer contribution rate | 14.43% | 14.43% |
| Required state contribution rate | 9.328% | 9.328% |

### Contributions

Required member, District and State of California 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, 2018 are presented above and the total District contributions were $11,434,815.

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

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

| Proportionate Share of Net Pension Liability | Balance June 30, 2018 |
|---|---|
| District proportionate share of net pension liability | $ 143,344,000 |
| State's proportionate share of the net pension liability associated with the District | 84,801,790 |
| Total | $ 228,145,790 |

## NOTE 14: EMPLOYEE RETIREMENT PLANS

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.1550%.

For the year ended June 30, 2018, the District recognized pension expense of $13,799,901. In addition, the District recognized revenue and corresponding expense of $8,536,114 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Pension Deferred Outflows and Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 11,434,815 | $ - |
| Differences between expected and actual experience | 530,100 | 2,500,150 |
| Changes of assumptions | 26,556,150 | - |
| Changes in proportion | 5,117,178 | 8,449,942 |
| Net differences between projected and actual earnings on pension plan investments | - | 3,817,650 |
| Total | $ 43,638,243 | $ 14,767,742 |

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, 2019. 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, 2017 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.

## NOTE 14: EMPLOYEE RETIREMENT PLANS

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

| Year Ending June 30, | Amortization |
|---|---|
| 2019 | $ 153,416 |
| 2020 | 5,728,766 |
| 2021 | 3,673,467 |
| 2022 | (64,612) |
| 2023 | 2,993,568 |
| 2024 | 4,951,081 |
| Total | $ 17,435,686 |

### Actuarial Methods and Assumptions

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

| Actuarial Methods and Assumptions | |
|---|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Experience Study | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 7.10% |
| Investment Rate of Return | 7.10% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | 3.50% |

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant 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

## NOTE 14: EMPLOYEE RETIREMENT PLANS

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:

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

### Discount Rate

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

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

| Discount rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 210,474,500 |
| Current discount rate (7.10%) | 143,344,000 |
| 1% increase (8.10%) | 88,863,050 |

### Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience

## NOTE 14: EMPLOYEE RETIREMENT PLANS

study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

| Assumptions: | As of June 30, 2017 | As of June 30, 2016 |
|---|---|---|
| Investment Rate of Return | 7.10% | 7.60% |
| Consumer Price Inflation | 2.75% | 3.00% |
| Wage Growth | 3.50% | 3.75% |

### 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.

### 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

## NOTE 14: EMPLOYEE RETIREMENT PLANS

credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

| Provisions and Benefits | Schools Pool Plan (CalPERS) | |
|---|---|---|
| Hire date | On or Before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1%-2.5% | 1.0%-2.5% |
| Required employee contribution rate | 7.00% | 6.00% |
| Required employer contribution rate | 15.531% | 15.531% |

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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, 2018 are as presented above and the total District contributions were $5,982,930.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $73,551,602. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.3081%.

For the year ended June 30, 2018, the District recognized pension expense of $11,798,302. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## NOTE 14: EMPLOYEE RETIREMENT PLANS

| Pension Deferred Outflows and Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 5,982,930 | $ - |
| Differences between expected and actual experience | 2,635,051 | - |
| Changes of assumptions | 10,743,368 | 865,979 |
| Changes in proportion | 193,599 | 2,074,935 |
| Net differences between projected and actual earnings on pension plan investments | 2,544,382 | - |
| Total | $ 22,099,330 | $ 2,940,914 |

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, 2019. 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 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, 2017 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:

| Year Ending June 30, | Amortization |
|---|---|
| 2019 | $ 3,516,766 |
| 2020 | 6,401,006 |
| 2021 | 4,651,017 |
| 2022 | (1,393,303) |
| Total | $ 13,175,486 |

### 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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

## NOTE 14: EMPLOYEE RETIREMENT PLANS

| Actuarial Methods and Assumptions | |
|---|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Experience Study | July 1, 1997 through June 30, 2011 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 7.15% |
| Investment Rate of Return | 7.50% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | Varies by entry age and service |

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 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 | 47% | 5.38% |
| Fixed income | 19% | 2.27% |
| Inflation assets | 6% | 1.39% |
| Private equity | 12% | 6.63% |
| Real estate | 11% | 5.21% |
| Infrastructure and forestland | 3% | 5.39% |
| Liquidity | 2% | -0.90% |

### 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

## NOTE 14: EMPLOYEE RETIREMENT PLANS

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:

| Discount rate | Net Pension Liability |
|---|---|
| 1% decrease (6.15%) | $ 108,217,976 |
| Current discount rate (7.15%) | 73,551,602 |
| 1% increase (8.15%) | 44,792,941 |

### Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. 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 15: ALTERNATIVE RETIREMENT PLANS:

### Self-Insured Schools of California

### Plan Description

The District is a participant of the Self-Insured Schools of California (SISC) pool offering a defined benefit plan to the eligible part-time, temporary, and seasonal employees as an alternative to Social Security coverage. An independent actuarial study is completed each year to determine the required funding rate. To be in compliance with the newly effective California Public Employees' Pension Reform Act (PEPRA), an employee hired after January 1, 2013 is required to

## NOTE 15: ALTERNATIVE RETIREMENT PLANS:

pay 50% of the normal cost rate. The District continues to make 100% contribution for those employees who are already participant of the SISC plan.

### Plan Funding

Based on the annual actuarial valuation, the District contribution rates for the calendar year 2016 are 1.6% for the new entrants into the plan and 3.7% for the grandfathered-in plan participants. The total cost for the District for the year ended June 30, 2018 was $62,414 and covered payroll was $2,589,193. The District's proportionate share of the net pension liability for the SISC plan was not material and therefore is not recorded in these financial statements.

## NOTE 16: PART-TIME EMPLOYEES' RETIREMENT PLAN

The District sponsored a Part-Time Employees' Retirement Plan (PTERP) from January 1, 1992 through June 30, 2000. The plan was a single-employer defined-benefit pension plan and the assets related to the plan are not segregated in an irrevocable trust, but are recorded by the District in the Pension Trust Fund with assets maintained in the county treasury. The plan was formally terminated on April 27, 2010. However, the plan had been inactive since 2000.

Management of the District has determined that there is not sufficient plan data available to allow for the implementation of GASB Statement 73*, Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Accounting principles generally accepted in the United States of America require that employers recognize a liability for the total pension liability and other related disclosures for each pension plan. Because there is not sufficient plan data available, the total pension liability could not be calculated and District management elected to omit the Pension Trust Fund and the related disclosures from the financial statements. The District is currently in the process of determining the appropriate steps needed to distribute the remaining assets of the plan.

## NOTE 17: SELF INSURANCE FUND

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self-Insurance Fund to account for and finance its uninsured risk of loss and certain other employee benefits.

The following provides a brief description of each coverage provided through the Self-Insurance Fund:

## NOTE 17: SELF INSURANCE FUND

### Insurance

Premiums for COBRA and retiree health plans were paid through the Self-Insurance Fund. The District's liability is limited by the premiums paid.

### Workers' Compensation

Under this program, the Self-Insurance Fund provides coverage for up to a maximum of $500,000 for each workers' compensation claim. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Funding of the Self-Insurance Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' compensation claims are charged to the respective funds which generate the liability.

At June 30, 2018, the District accrued the claims liability in accordance with GASB, which requires that a liability for claims be reported if 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 amount of liability is estimated at $18,960,101. Changes in the reported liability are shown below:

| Reported Liability | Beginning Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Fiscal Year Liability |
|---|---|---|---|---|
| Worker's compensation | $ 14,757,583 | $ 12,976,751 | $ 8,774,233 | $ 18,960,101 |

## NOTE 18: JOINT POWERS AGREEMENTS

The District participates in two joint powers agreements (JPAs): CSAC Excess Insurance Authority (EIA), which arranges for and provides property and liability insurance for its members, and Self-Insured Schools of California (SISC), which arranges for and provides medical insurance for its members.

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 board.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing board. Member districts share surpluses and

## NOTE 18: JOINT POWERS AGREEMENTS

deficits proportionately to their participation in the JPA. Separate financial statements for the 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 financial information is as follows:

| JPA Condensed Financial Information | EIA (Audited) June 30, 2017 | SISC (Audited) September 31, 2017 |
|---|---|---|
| Total assets and deferred outflows | $ 792,900,586 | $ 540,842,328 |
| Total liabilities and deferred inflows | 652,379,324 | 173,862,442 |
| Net position | $ 140,521,262 | $ 366,979,886 |
| Total revenues | $ 771,379,563 | $ 2,089,274,509 |
| Total expenditures | $ 768,530,918 | $ 1,984,882,354 |

## NOTE 19: DEFICIT FUND BALANCE

The Self-Insurance Fund has ending net position for the fiscal year ended June 30, 2018 of $(4,791,162).

## NOTE 20: RESTATEMENT

The beginning net position of the basic financial statements has been restated by a reduction of $606,461 in the Statement of Activities to recognize expenses related to a prior period. This has also resulted in a reduction to the beginning fund balance of the Building Fund of $606,461 in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

## NOTE 21: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position of the basic financial statements has been restated by a reduction of $19,643,684 in the Statement of Activities to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

## NOTE 22: 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 are not estimable or probable to require disclosure in 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.

### 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.

### Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $37 million. Projects will be funded through bond proceeds, capital facilities funds, and general funds.

## NOTE 23: SUBSEQUENT EVENT

On August 23, 2018 the Board approved a lease purchase agreement for network equipment. The lease was entered into in September 2018 and is a five year lease term with payments of approximately $250,000 due annually to be paid out of the General Fund, for a total of approximately $1,250,000. Payments commenced in October 2018.

## NOTE 24: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2018, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District’s financial statements has not been assessed at this time.

## NOTE 24: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:

**Statement No. 83 – *Certain Asset Retirement Obligations***

This statement was issued in November 2016 and addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

**Statement No. 84 – *Fiduciary Activities***

This statement was issued in January 2017 and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activities and (2) the beneficiary with whom a fiduciary relationship exists. The statement is effective for the fiscal year 2019-20.

**Statement No. 87 – *Leases***

This statement was issued in June 2017 and addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement is effective for the fiscal year 2020-21.

**Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements***

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and 3) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

## NOTE 24: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:

**Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61***

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

# REQUIRED SUPPLEMENTARY INFORMATION

# PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
### For the Fiscal Year Ended June 30, 2018

| | Budgetary Amounts | | Actual Amounts |
|---|---|---|---|
| | Original | Final | GAAP Basis |
| **Revenues** | | | |
| Local control funding formula sources: | | | |
| State apportionments | $ 78,659,189 | $ 79,670,395 | $ 74,153,985 |
| Local sources | 76,968,107 | 75,949,906 | 81,501,225 |
| Total local control funding formula sources | 155,627,296 | 155,620,301 | 155,655,210 |
| Federal sources | 17,582,442 | 27,770,089 | 16,668,637 |
| Other state sources | 27,799,697 | 34,595,306 | 38,933,057 |
| Other local sources | 5,196,195 | 8,147,276 | 12,422,692 |
| **Total Revenues** | 206,205,630 | 226,132,972 | 223,679,596 |
| **Expenditures** | | | |
| Certificated salaries | 79,766,309 | 85,323,148 | 81,643,406 |
| Classified salaries | 37,467,312 | 38,173,540 | 35,114,399 |
| Employee benefits | 52,835,140 | 60,325,245 | 58,932,497 |
| Books and supplies | 7,027,538 | 8,540,213 | 5,917,291 |
| Services and other operating expenditures | 35,127,307 | 37,541,045 | 34,427,940 |
| Capital outlay | 105,000 | 4,192,626 | 3,300,239 |
| Other outgo | 397,456 | 1,198,790 | 1,197,780 |
| Direct support - indirect cost | (750,390) | (711,081) | (710,071) |
| **Total Expenditures** | 211,975,672 | 234,583,526 | 219,823,481 |
| Excess (deficiency) of revenues over expenditures | (5,770,042) | (8,450,554) | 3,856,115 |
| **Other Financing Sources** | | | |
| Interfund transfers in | | 2,418,026 | 2,418,025 |
| **Total Other Financing Sources** | - | 2,418,026 | 2,418,025 |
| Net change in fund balances | $ (5,770,042) | $ (6,032,528) | 6,274,140 |
| **Fund Balance - Beginning of Year** | | | 17,293,356 |
| **Fund Balance - End of Year** | | | $ 23,567,496 |

# PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – RETIREE HEALTH PLAN
## For the Fiscal Year Ended June 30, 2018

| Total OPEB Liability - Postemployment Medical Benefits Plan | 2018 |
|---|---|
| Service Cost | $ 1,926,844 |
| Interest | 1,107,962 |
| Benefit Payments | (436,396) |
| Net Change in Total OPEB Liability | 2,598,410 |
| Total OPEB Liability - beginning | 30,822,948 |
| Total OPEB Liability - ending | $ 33,421,358 |
| Covered-employee payroll | $ 114,500,000 |
| Total OPEB liability (asset) as a percentage of covered-employee payroll | 29% |

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.

## PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## For the Fiscal Year Ended June 30, 2018

| State Teachers' Retirement Plan | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.1610% | 0.1670% | 0.1510% | 0.1550% |
| District's proportionate share of the net pension liability | $ 94,083,570 | $ 112,431,080 | $ 122,130,310 | $ 143,344,000 |
| State's proportionate share of the net pension liability associated with the District | 56,812,292 | 59,463,488 | 69,536,843 | 84,801,790 |
| Total | $ 150,895,862 | $ 171,894,568 | $ 191,667,153 | $ 228,145,790 |
| District's covered payroll | $ 72,940,000 | $ 75,800,000 | $ 78,100,000 | $ 80,600,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 129% | 148% | 156% | 178% |
| Plan fiduciary net position as a percentage of the total pension liability | 77% | 74% | 70% | 69% |

| California Public Employees' Retirement Plan | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.3239% | 0.3294% | 0.3181% | 0.3081% |
| District's proportionate share of the net pension liability | $ 36,770,536 | $ 48,553,885 | $ 62,824,947 | $ 73,551,602 |
| District's covered payroll | $ 34,620,000 | $ 36,500,000 | $ 37,300,000 | $ 39,300,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 106% | 133% | 168% | 187% |
| Plan fiduciary net position as a percentage of the total pension liability | 83% | 79% | 74% | 72% |

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.

## PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS
### For the Fiscal Year Ended June 30, 2018

| State Teachers' Retirement Plan | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ 6,730,163 | $ 8,376,235 | $ 10,133,838 | $ 11,434,815 |
| Contributions in relation to the contractually required contributions | 6,730,163 | 8,376,235 | 10,133,838 | 11,434,815 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 75,800,000 | $ 78,100,000 | $ 80,600,000 | $ 79,200,000 |
| Contributions as a percentage of its covered payroll | 8.88% | 10.73% | 12.58% | 14.43% |

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.

| California Public Employees' Retirement Plan | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ 4,291,778 | $ 4,413,765 | $ 5,456,293 | $ 5,982,930 |
| Contributions in relation to the contractually required contributions | 4,291,778 | 4,413,765 | 5,456,293 | 5,982,930 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 36,500,000 | $ 37,300,000 | $ 39,300,000 | $ 38,500,000 |
| Contributions as a percentage of its covered payroll | 11.77% | 11.85% | 13.89% | 15.53% |

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.

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
**For the Fiscal Year Ended June 30, 2018**

### 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 and Related Ratios – Retiree Health Plan**

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Benefit Changes – None.

Changes of Assumptions – The discount rate was changed from 4.00% to 3.62%.

**Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS (STRP) and CalPERS (Schools Pool Plan)**

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 – CalSTRS (STRP) and CalPERS (Schools Pool Plan)**

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.

### NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of expenditures over appropriations in the General Fund.

## SUPPLEMENTARY INFORMATION

**PASADENA UNIFIED SCHOOL DISTRICT**

**HISTORY AND ORGANIZATION**
**For the Fiscal Year Ended June 30, 2018**

The Pasadena Unified School District became a reality when the Los Angeles County Board of Supervisors created the San Pasqual School District in September 1874. The name Pasadena School District was first used on January 1878, by a seceding group of residents living west of Fair Oaks Avenue and south of California Street extending to the north line of Los Angeles.

Currently, the Pasadena Unified School District consists of eighteen elementary schools, four middle schools, four high schools and two alternative schools. The District offers high-quality educational choices for all Kindergarten-12th grade students in Altadena, Pasadena and Sierra Madre. All of our schools offer rigorous academic programs and high-quality instruction aligned to the California content standards, as well as enrichment opportunities that prepare students for the college or career of their choice.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

**BOARD OF DIRECTORS**

| Member | Office | Term Expires |
|---|---|---|
| Mr. Lawrence Torres | President | November 2020 |
| Mr. Patrick Cahalan | Vice President | November 2020 |
| Mr. Scott Phelps | Clerk | November 2022 |
| Dr. Elizabeth Pomeroy | Member | November 2022 |
| Mr. Roy Boulghourjian | Member | November 2020 |
| Ms. Kim Kenne | Member | November 2022 |
| Ms. Michelle Richardson Bailey | Member | November 2022 |

**DISTRICT ADMINISTRATORS**

| | |
|---|---|
| Dr. Brian McDonald | Superintendent/Secretary of the Board of Education |
| Ms. Eva R. Lueck | Fiscal Management Consultant |
| Dr. Steve Miller | Chief Human Resources Officer |
| Dr. Elizabeth Blanco | Chief of Specialized Instructional Services |

## SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
## For the Fiscal Year Ended June 30, 2018

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, 2018 are as follows:

| | Revised Second Period | Annual |
|---|---|---|
| Grades Transitional Kindergarten through third: | | |
| Regular ADA | 5,213 | 5,221 |
| Extended year special education | 10 | 11 |
| Extended year special education-nonpublic, nonsectarian schools | 4 | 4 |
| Total grades transitional kindergarten through third ADA | 5,227 | 5,236 |
| Grades four through six: | | |
| Regular ADA | 3,867 | 3,859 |
| Extended year special education | 10 | 10 |
| Special education - nonpublic, nonsectarian schools | 21 | 21 |
| Extended year special education - nonpublic, nonsectarian schools | 1 | 1 |
| Total grades four through six ADA | 3,899 | 3,891 |
| Grades seven and eight: | | |
| Regular ADA | 2,372 | 2,368 |
| Extended year special education | 5 | 5 |
| Special education - nonpublic, nonsectarian schools | 29 | 22 |
| Extended year special education - nonpublic, nonsectarian schools | 1 | 1 |
| Total grades seven and eight ADA | 2,407 | 2,396 |
| Grades nine through twelve: | | |
| Regular ADA | 4,445 | 4,411 |
| Extended year special education | 19 | 19 |
| Special education - nonpublic, nonsectarian schools | 42 | 45 |
| Extended year special education - nonpublic, nonsectarian schools | 5 | 5 |
| Total grades nine through twelve ADA | 4,511 | 4,480 |
| Total ADA | 16,044 | 16,003 |

See the accompanying notes to the supplementary information.

## PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME
## For the Fiscal Year Ended June 30, 2018

| Grade Level | Minute Requirement | Actual Minutes | Number of Days Traditional Calendar | Status |
|---|---|---|---|---|
| Kindergarten | 36,000 | 57,260 | 180 | In Compliance |
| Grade 1 | 50,400 | 54,585 | 180 | In Compliance |
| Grade 2 | 50,400 | 54,585 | 180 | In Compliance |
| Grade 3 | 50,400 | 54,585 | 180 | In Compliance |
| Grade 4 | 54,000 | 54,585 | 180 | In Compliance |
| Grade 5 | 54,000 | 54,585 | 180 | In Compliance |
| Grade 6 | 54,000 | 54,585 | 180 | In Compliance |
| Grade 7 | 54,000 | 54,585 | 180 | In Compliance |
| Grade 8 | 54,000 | 54,585 | 180 | In Compliance |
| Grade 9 | 64,800 | 65,482 | 180 | In Compliance |
| Grade 10 | 64,800 | 65,482 | 180 | In Compliance |
| Grade 11 | 64,800 | 65,482 | 180 | In Compliance |
| Grade 12 | 64,800 | 65,482 | 180 | In Compliance |

See the accompanying notes to the supplementary information.

# PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## For the Fiscal Year Ended June 30, 2018

| Program Name | Federal Catalog Number | Pass-Through Entity Identifying Number | Total Program Expenditures |
|---|---|---|---|
| **United States Department of Agriculture** | | | |
| Farm to School Planning Grant | 10.575 | (1) | $ 45,547 |
| Subtotal: Direct Programs | | | 45,547 |
| Pass-Through Program From California Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| Child Nutrition Program-Especially Needy Breakfast | 10.553 | 13526 | 1,244,751 |
| Child Nutrition Program-Lunch | 10.555 | 13396 | 3,919,313 |
| Child Nutrition Program-Commodities | 10.555 | 13396 | 348,333 |
| Child Nutrition Program-Meal Supplements | 10.555 | 13396 | 8,366 |
| Total: Child Nutrition Cluster | | | 5,520,763 |
| Child and Adult Care Food Program | 10.558 | 13393 | 1,331,687 |
| Total: United States Department of Agriculture | | | 6,897,997 |
| **United States Department of Defense** | | | |
| Reserve Officer Training Corp (ROTC) | 12.000 | (1) | 69,104 |
| Total: United States Department of Defense | | | 69,104 |
| **United States Department of Education** | | | |
| PUSD Positive School Climate | 84.184G | (1) | 358,014 |
| Subtotal: Direct Programs | | | 358,014 |
| Pass-Through Program From California Department of Education: | | | |
| Special Education Cluster: | | | |
| Grants to States (IDEA, Part B) | 84.027 | 13379 | 3,847,574 |
| Grants to States (IDEA, Part B) - Private Schools | 84.027 | 10115 | 89,479 |
| Federal Preschool Grant | 84.173 | 13430 | 251,897 |
| Preschool Local Entitlement | 84.027A | 13682 | 734,695 |
| Preschool Staff Development | 84.173A | 13431 | 1,211 |
| Alternate Dispute Resolution | 84.173A | 13007 | 25,554 |
| Mental Health Services, Part B | 84.027A | 15197 | 193,181 |
| Total: Special Education Cluster | | | 5,143,591 |
| Every Student Succeeds Act: | | | |
| Title III - English Language Acquisition Grants | | | |
| Title III - Immigrant Education Program | 84.365 | 15146 | 12,017 |
| Title III - Limited English Proficiency | 84.365 | 14346 | 170,959 |
| Subtotal: Title III - English Language Acquisition Grants | | | 182,976 |
| Title I, Part A - Low Income and Neglected | 84.010 | 14329 | 5,501,416 |
| Title I, Part G - Advanced Placement Test Fee Reimbursement | 84.330B | 14831 | 46,098 |
| Title II, Part A - Improving Teacher Quality | 84.367 | 14341 | 1,055,600 |
| Title IV, Part B, 21st Century Community Learning Centers - Elementary & Middle School | 84.287 | 14349 | 874,888 |
| Title IX, McKinney-Vento Homeless Assistance Grants | 84.196 | 14332 | 70,109 |

See the accompanying notes to the supplementary information.

# PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## For the Fiscal Year Ended June 30, 2018

| Program Name | Federal Catalog Number | Pass-Through Entity Identifying Number | Total Program Expenditures |
|---|---|---|---|
| Adult Education Basic Grants to States: | | | |
| Adult Basic Education & ELA | 84.002A | 14508 | 16,971 |
| Adult Education: Adult Secondary Education, Section 231 | 84.002 | 13978 | 16,021 |
| English Literacy and Civics Education | 84.002A | 14109 | 37,173 |
| Total: Adult Education Basic Grants to States | | | 70,165 |
| Career and Technical Education - Secondary | 84.048 | 14894 | 168,104 |
| Magnet Schools Assistance Program | 84.165A | (1) | 1,760,483 |
| Early Intervention Grants | 84.181 | 23761 | 84,746 |
| Subtotal: Pass-Through Programs | | | 14,958,176 |
| Total: United States Department of Education | | | 15,316,190 |
| **United States Department of Health and Human Services** | | | |
| PUSD Positive Project Aware | 93.243 | (1) | 37,202 |
| Subtotal: Direct Programs | | | 37,202 |
| Pass-Through Program From California Department of Education: | | | |
| Child Care Development Fund Cluster | | | |
| Child Care and Development Block Grant | 93.575 | 15136 | 141,107 |
| Total: Child Care Development Fund Cluster | | | 141,107 |
| Medicaid Cluster | | | |
| Medi-Cal | 93.778 | 10013 | 491,311 |
| Total: Medicaid Cluster | | | 491,311 |
| Total: United States Department of Health and Human Services | | | 669,620 |
| **United States Department of Housing and Urban Development** | | | |
| Pass-Through Program From City of Pasadena | | | |
| Community Development Block Grant - Young and Healthy | 14.218 | (1) | 97,567 |
| Total: United States Department of Housing and Urban Development | | | 97,567 |
| **Total Federal Programs** | | | $ 23,050,478 |
| **Reconciliation to Federal Revenue** | | | |
| Total Federal Program Expenditures | | | $ 23,050,478 |
| Revenues in excess of expenditures related to Federal Entitlements: | | | |
| MAA Reimbursement | 93.778 | 10060 | 713,429 |
| Expenditures in excess of revenues related to Federal Entitlements: | | | |
| AP Test Federal Reimbursement | 84.330B | 14831 | (31,548) |
| Build America Bonds | | | 1,936,859 |
| Total Federal Program Revenue | | | $ 25,669,218 |

(1) Pass-Through Entity Identifying Number not readily available or not applicable

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted $348,333 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to the supplementary information.

## PASADENA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
### For the Fiscal Year Ended June 30,

| | 2019 (Budgeted) | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Total revenues | $ 215,681,988 | $ 223,679,596 | $ 215,882,776 | $ 217,233,176 |
| Total expenditures | 218,529,242 | 219,823,481 | 217,720,559 | 211,501,309 |
| Total other sources and uses | | 2,418,025 | | (250,000) |
| Change in fund balance | (2,847,254) | 6,274,140 | (1,837,783) | 5,481,867 |
| Ending fund balance | $ 20,720,242 | $ 23,567,496 | $ 17,293,356 | $ 19,131,139 |
| Available reserve | $ 16,369,731 | $ 18,643,991 | $ 12,493,355 | $ 11,092,631 |
| Available reserve % | 7% | 8% | 6% | 5% |
| ADA | 15,925 | 16,044 | 16,283 | 16,337 |
| Total long term debt | $ 692,476,231 | $ 728,015,573 | $ 724,981,793 | $ 617,187,340 |

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. 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, 2018, the District has met this requirement.

The 2019 budget is the original budget adopted on June 28, 2018.

The long term debt for the fiscal year ended June 30, 2017 has been updated to reflect the cumulative effect of the adoption of Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* . See Note 21.

See the accompanying notes to the supplementary information.

## SCHEDULE OF CHARTER SCHOOLS
**For the Fiscal Year Ended June 30, 2018**

| Charter School | Included in District Audit Report |
|---|---|
| Aveson Global Leadership Academy | No |
| Aveson School of Leaders | No |
| Pasadena Rosebud Academy | No |
| Learning Works | No |
| Pasadena Rosebud Academy Middle | No |
| Odyssey Charter School - South | No |

See the accompanying notes to the supplementary information.

## PASADENA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT WITH THE AUDITED FINANCIAL STATEMENTS
### For the Fiscal Year Ended June 30, 2018

| | General Fund | Self-Insurance Fund |
|---|---|---|
| June 30, 2018 Annual Financial and Budget Report Fund Balance | $ 25,061,381 | $ (913,644) |
| Reconciling items: | | |
| Accounts payable | (1,493,885) | |
| Cash in revolving fund | | 325,000 |
| Estimated liability for open claims incurred but not recorded | | (4,202,518) |
| June 30, 2018 Audited Financial Statement Fund Balance | $ 23,567,496 | $ (4,791,162) |

NOTE: The financial data for the 2016 Refunding Bond, Series B (2019 Crossover) held with the refunding escrow agent, is presented within the Debt Service fund of these financial statements. The activity is not reported in the Annual Financial and Budget Report. A reconciliation is as follows:

| | Debt Service Fund |
|---|---|
| June 30, 2018 Annual Financial and Budget Report Fund Balance | $ - |
| Reconciling item: | |
| Investments with escrow agent | 87,116,300 |
| June 30, 2018 Audited Financial Statement Fund Balance | $ 87,116,300 |

See the accompanying notes to the supplementary information.

## NOTES TO THE SUPPLEMENTARY INFORMATION
**For the Fiscal Year Ended June 30, 2018**

### 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, 2018. 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 assets, 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.

## NOTE 1: PURPOSE OF SCHEDULES

### Schedule of Financial Trends and Analysis

The *2017-18 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 *2017-18 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

## PASADENA UNIFIED SCHOOL DISTRICT

## COMBINING BALANCE SHEET
## NON-MAJOR GOVERNMENTAL FUNDS
## June 30, 2018

| | Adult Education | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | County Schools Facilities Fund | Special Reserve-Capital Outlay Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash in county treasury | $ 10,817 | $ 1,331,838 | $ 655,939 | $ 754,966 | $ 19,986 | $ 1,349,679 | $ 4,123,225 |
| Cash in bank | | | 749,969 | | | | 749,969 |
| Accounts receivable | 70,165 | 351,269 | 1,133,432 | 52,049 | 80 | 7,460 | 1,614,455 |
| Inventories | | | 81,469 | | | | 81,469 |
| **Total Assets** | $ 80,982 | $ 1,683,107 | $ 2,620,809 | $ 807,015 | $ 20,066 | $ 1,357,139 | $ 6,569,118 |
| **Liabilities and Fund Balances** | | | | | | | |
| **Liabilities** | | | | | | | |
| Accounts payable | $ 10,783 | $ 253,282 | $ 339,790 | $ 81,620 | $ | $ | $ 685,475 |
| Unearned revenue | | 29,295 | | | | | 29,295 |
| Due to other funds | 70,199 | | | | | | 70,199 |
| **Total Liabilities** | 80,982 | 282,577 | 339,790 | 81,620 | - | - | 784,969 |
| **Fund Balances** | | | | | | | |
| Nonspendable | | | 81,469 | | | | 81,469 |
| Restricted | | 1,400,530 | 2,199,550 | 725,395 | 20,066 | 1,340,925 | 5,686,466 |
| Assigned | | | | | | 16,214 | 16,214 |
| **Total Fund Balances** | - | 1,400,530 | 2,281,019 | 725,395 | 20,066 | 1,357,139 | 5,784,149 |
| **Total Liabilities and Fund Balances** | $ 80,982 | $ 1,683,107 | $ 2,620,809 | $ 807,015 | $ 20,066 | $ 1,357,139 | $ 6,569,118 |

# PASADENA UNIFIED SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## NON-MAJOR GOVERNMENTAL FUNDS
## For the Fiscal Year Ended June 30, 2018

| | Adult Education Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | County Schools Facilities Fund | Special Reserve-Capital Outlay Fund | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Federal sources | $ 70,165 | $ 141,107 | $ 6,852,450 | $ | $ | $ | $ 7,063,722 |
| Other state sources | 2,747 | 3,847,753 | 421,087 | | | 2,423,546 | 6,695,133 |
| Other local sources | | 1,315,911 | 541,600 | 888,844 | 309 | 31,599 | 2,778,263 |
| **Total Revenues** | 72,912 | 5,304,771 | 7,815,137 | 888,844 | 309 | 2,455,145 | 16,537,118 |
| **Expenditures** | | | | | | | |
| Instruction | 41,206 | 3,401,098 | | | | | 3,442,304 |
| Instruction - related services | 31,706 | 973,228 | | | | | 1,004,934 |
| Pupil services | | 162,019 | 8,288,045 | | | | 8,450,064 |
| General administration | | 308,776 | 401,295 | | | | 710,071 |
| Plant services | | 106,402 | | 3,867,044 | | | 3,973,446 |
| Debt service | | | | | | 218,317 | 218,317 |
| **Total Expenditures** | 72,912 | 4,951,523 | 8,689,340 | 3,867,044 | - | 218,317 | 17,799,136 |
| Excess (deficiency) of revenues over expenditures | - | 353,248 | (874,203) | (2,978,200) | 309 | 2,236,828 | (1,262,018) |
| **Other Financing Uses** | | | | | | | |
| Interfund transfers out | | | | | | (2,418,025) | (2,418,025) |
| **Total Other Financing Uses** | - | - | - | - | - | (2,418,025) | (2,418,025) |
| Net change in fund balance | - | 353,248 | (874,203) | (2,978,200) | 309 | (181,197) | (3,680,043) |
| **Fund Balances at Beginning of Year** | | 1,047,282 | 3,155,222 | 3,703,595 | 19,757 | 1,538,336 | 9,464,192 |
| **Fund Balances at End of Year** | $ - | $ 1,400,530 | $ 2,281,019 | $ 725,395 | $ 20,066 | $ 1,357,139 | $ 5,784,149 |

## 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 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' REPORTS

# 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
Pasadena Unified School District
Pasadena, 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 Pasadena Unified School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2018. Our report includes a qualified opinion on the aggregate remaining fund information due to the omission of the Pension Trust Fund financial and disclosure information.

## 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.

**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***

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 have not been identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, which we consider to be material weaknesses.

## 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.*

## District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

CliftonLarsonAllen LLP
Glendora, California
December 14, 2018

CliftonLarsonAllen LLP
CLAconnect.com

# 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
Pasadena Unified School District
Pasadena, California

## Report on Compliance for Each Major Federal Program

We have audited Pasadena 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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with 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, 2018.

## 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 14, 2018

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Pasadena Unified School District
Pasadena, California

We have audited the Pasadena Unified School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2018. 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards 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:

| Description | Procedures Performed |
|---|---|
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| 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 | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Educator Effectiveness | Yes |
| California Clean Energy Act | Yes |
| After/Before School Education and Safety Program | Yes |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| Charter Schools: | |
| Attendance | No[1] |
| Mode of Instruction | No[1] |
| Nonclassroom Based Instruction/Independent Study | No[1] |
| Determination of Funding for Nonclassroom Based Instruction | No[1] |
| Annual Instructional Minutes – Classroom Based | No[1] |
| Charter School Facility Grant Program | No[1] |

[1]The testing for Charter Schools was done by each school's respective auditor.

## 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, 2018.

**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 *2017-18 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
December 14, 2018

# FINDINGS AND QUESTIONED COSTS

**PASADENA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**SUMMARY OF AUDITOR RESULTS**
**June 30, 2018**

## SECTION I – SUMMARY OF AUDITOR RESULTS

### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Qualified*

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| Material weakness(es) identified? | X | *Yes* | | *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 auditor's 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 |
|---|---|
| 84.165A | Magnet School Assistance Program |
| 84.367 | Title II, Part A, Improving Teacher Quality |
| 10.553 and 10.555 | Child Nutrition Cluster |
| 10.558 | Child and Adult Care Food Program |

Dollar threshold used to distinguish between type A and type B programs: $750,000

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee? | | *Yes* | X | *No* |

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS**
**June 30, 2018**

All audit findings must be identified as one or more of the following categories:

| Five Digit Code | Finding Types |
|---|---|
| 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 |

## FINANCIAL STATEMENT FINDINGS

### 2018-001 WORKERS' COMPENSATION FUND 60000

**Criteria:** Self-Insurance Funds should be self-supporting.

**Condition:** The workers' compensation subfund (67.1) ended the fiscal year with a net loss of $3,385,545 and a deficit net position of $9,944,031.

**Context:** Not applicable

**Effect:** The workers' compensation subfund is underfunded and rising costs and increased claim activity could have an impact on the General Fund if not monitored.

**Cause:** The District has not consistently charged enough to cover the costs of the Workers' Compensation Fund. The fund is significantly under-funded. The fund ended the 2017-18 fiscal year with a negative net position of $9,944,031 and has been in a deficit position since the 2014-15 fiscal year when the deficit net position was $5,792,484. Additionally, the most recent actuarial report for the program indicates that the loss development has been considerably worse than expected over the past few years. This resulted in increased levels of loss reserves needed. The District has maintained a positive cash position by increasing the funding rate attributable to current costs, and has been able to pay current expenses, but is not accounting for the estimate for unpaid claims. Since the District is self-funding for this obligation, governmental accounting standards require that self-insurance funds be self-supporting and that the fund be accounted for using the full accrual basis of accounting, which is how these financial statements are prepared.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS June 30, 2018

## 2018-001 WORKERS' COMPENSATION FUND 60000

**Recommendation:** It is extremely important that the District closely examine its budget and the impact that workers' compensation costs may have on the future solvency of the District. The workers' compensation rate charged should account for not only current costs but for unpaid claims as well. The District should also develop and implement formal policies and procedures relating to internal tracking of workers' compensation claims.

**District Response:** The District will take immediate steps to transfer $4 million into the Workers' Compensation Fund to be set aside to address the unfunded liability. Additionally, the District will address the unfunded liability in the development of the rates for 2019-20 and future years; this will be a multi-year approach. The District has also changed its third party administrator and is implementing improvements to the workers' compensation program. It is expected that these changes will have a positive impact.

## 2018-002 CLOSING PROCEDURES 30000

**Finding:** 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. We noted the following errors:

1. Estimates should be based on the most current information available to management. Fiscal Services has established closing procedures to contact vendors when invoices have not yet been received to ensure that expenses are properly accrued. One vendor was unresponsive and follow-up was not made to obtain information; this resulted in an adjusting entry to correct the error. The General Fund and Building Fund incurred expenses related to repairs to be paid from the Prop 39 California Clean Energy Grant and Measure TT funds prior to June 30, 2018. The amount related to the 2017-18 year appears to be probable and estimable at the time of closing; however, it was not accrued as the District's management was awaiting one signature from the inspector. This resulted in an adjustment of $1,493,885 to the General Fund and a passed adjustment of $253,661 to the Building Fund.

2. Additionally, the District changed Third-Party Administrators (TPA) for the Self-Insurance Fund during the year resulting in a closure of one revolving cash account. The District did not record the revolving cash account retained with the new TPA. This resulted in an adjustment of $325,000.

**Recommendation:** Established procedures related to the closing process should be followed. Cross training employees and/or documenting responsibilities of specific functions and key responsibilities should be done to ensure that tasks are followed even in the absence of key personnel. Review by individuals not immediately involved in the closing process should be done to identify errors or omissions.

**2018-002 CLOSING PROCEDURES 30000**

**District Response:** This was an isolated case and the Division of Business Services will work with applicable Division of Facilities and Maintenance staff to implement a review and monitoring protocol that will ensure non-repeat occurrence. Additionally, we will include the Self-Insurance Fund revolving cash account in the Second Interim.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**RELATED TO FEDERAL AWARDS**
**June 30, 2018**

## FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**RELATED TO STATE AWARDS**
**June 30, 2018**

## STATE AWARD FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

**2017-001 HUMAN RESOURCES SALARY/PAY RATE DOCUMENTATION 50000 30000**

**Federal Program:** Child Nutrition Cluster, Child and Adult Care Food Program and Title II
**CFDA Number:** 10.553, 10.555, 10.558, and 84.367
**Federal Award Number & Year:** Information not readily available
**Federal Agency:** U.S. Department of Agriculture and U.S. Department of Education
**Name of Pass-Through Agency:** California Department of Education

**Criteria:** Allowable Costs/Costs Principals (B) indicates that expenditures of federal funds must be necessary, reasonable and allocable (2CFR 200.403) and adequately documented (2CFR 200.403).

**Condition:** Human Resources' personnel files did not contain accurate supporting documentation for approved pay rates. Alternative procedures were required in order to verify the authorized pay rates.

**Context:** For the collective programs noted above, a total of 32 payroll expenditures were selected. From this sample, 28 were found to not have current documentation in their personnel files to adequately support the employees' authorized salary or pay rate.

**Effect:** Authorized pay rates are not adequately documented.

**Cause:** Employee files were outdated and did not contain recent personnel assignment and/or salary rate/placement authorization documentation.

**Total Program Expenditures:**

| | |
|---|---|
| Child Nutrition Cluster | $ 5,846,632 |
| Child and Adult Care Food Program | 1,468,061 |
| Title II | 1,242,004 |

**Questioned Costs and Units:** None reported, alternative procedures performed to verify salaries charged are necessary, reasonable and allocable.

**Recommendation:** Implement procedures to update and maintain employee records that are adequate and complete to support their personnel assigned and salary rate/placement authorization. Perform periodic review of files to ensure they reflect the appropriate and approved pay rate information.

**Corrective Action Plan:** The Division of Human Resources is committed to continuous improvement and accountability. As such the division will immediately implement a protocol as a means of monitoring and updating personnel files with current salary rate/placement.

**Current Year Status:** Implemented.

**2017-002 <u>TEACHER MISASSIGNMENTS</u> 71000**

**Criteria:** Per Education Code Section 46300, a teacher providing instruction to pupils must have a valid certification document on file.

**Condition:** During our testing of teachers selected from attendance compliance work, we noted that one substitute teacher was not properly authorized for the duration of interaction with pupils.

**Context:** The sample was selected based on the requirements as specified in the *2016-17 Guide for annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The condition appears to be isolated on the Effect and Cause as described below.

**Effect:** One teacher was missassigned to a class; the teacher was not reassigned prior to exceeding the 30-day limit their credential stated.

**Cause:** Human Resources assignment monitoring was not performed.

**Questioned Costs and Units:** No penalty assessed.

**Recommendation:** Perform periodic reviews over teachers' credentials to ensure that valid credentials are in place. Maintain a listing of expiring credentials to ensure that they are renewed timely to mitigate a lapse in service by placed teacher.

**District Response:** The Division of Human Resources is committed to continuous improvement and accountability. As such a new protocol and process has been implemented effective spring 2017. This protocol includes a tracking/monitoring tool as well as an update and status review procedure.

**Current Year Status:** Implemented.

## APPENDIX C

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Pasadena Unified School District (the "District") in connection with the issuance of $96,910,000 of the District's 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on August 1, 2019 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean RBC Capital Markets, LLC, and any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 fiscal year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) the current fiscal year assessed valuation of taxable property within the District; and

(f) the secured property tax levies, collections and delinquencies for the District for the last completed fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(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 in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. optional, contingent or unscheduled Bond calls.

4. defeasances.

5. rating changes.

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

7. unscheduled draws on the debt service reserves reflecting financial difficulties.

8. unscheduled draws on credit enhancement reflecting financial difficulties.

9. substitution of the credit or liquidity providers or their failure to perform.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

11. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the

District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(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:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

4. release, substitution or sale of property securing repayment of the Bonds.

5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

6. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

7. Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. 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 and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), 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 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross 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. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. 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: September 11, 2019

PASADENA UNIFIED SCHOOL DISTRICT

By: ________________________________________

Leslie Barnes, Ed.D.
Chief Business Officer

**EXHIBIT A**

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: PASADENA UNIFIED SCHOOL DISTRICT

Name of Bond Issue: 2019 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: September 11, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

PASADENA UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]_________

## APPENDIX D

## ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF PASADENA AND LOS ANGELES COUNTY

*The following information concerning the City (as defined herein) and the County (as defined herein) is included only for the purpose of supplying general information regarding the community. The following economic data for the City and the County are presented for information purposes only.*

### General

***City of Pasadena***. The City of Pasadena (the "City"), State of California (the "State") was incorporated in 1886 and became a freeholder charter city in 1901. The City has a Council-Manager form of government with seven City Council districts, each electing a councilmember to a four-year term. The Mayor is an elected position serving a four-year term. The City Council is responsible for the administration of the City. The City covers an area of approximately 23 square miles and is located in the County (as defined herein in the northwestern portion of San Gabriel Valley. The City is internationally recognized for the Rose Parade and Rose Bowl, and the academic and research pursuits of the California Institute of Technology and the Jet Propulsion Laboratory.

***Los Angeles County.*** Established by an act of the State Legislature on February 18, 1850, Los Angeles County (the "County") is one of the original 27 counties in the State. With 4,061 square miles, the County borders 70 miles of coast on the Pacific Ocean. Home to 88 incorporated cities and many unincorporated areas, its 2014 Gross Domestic Product of $640.7 billion made the County's economy larger than that of 44 states and all but 20 countries. In between the large desert portions of the county — which make up around 40% of its land area — and the heavily urbanized central and southern portions, sit the San Gabriel Mountains, containing the Angeles National Forest. The County is a charter county governed by a five-member elected Board of Supervisors who each serves alternating four-year terms.

[REMAINDER OF PAGE LEFT BLANK]

## Population

The following table represents historical population estimates for the City, the County, and the State from 2010 through 2019.

**POPULATION ESTIMATES**
**2010 through 2019**
**City of Pasadena, Los Angeles County and State of California**

| Year[1] | City of Pasadena | Los Angeles County | State of California |
|---|---|---|---|
| 2010 | 137,122 | 9,818,605 | 37,253,956 |
| 2011 | 139,127 | 9,885,948 | 37,594,781 |
| 2012[2] | 139,887 | 9,972,649 | 37,971,427 |
| 2013 | 140,571 | 10,040,960 | 38,321,459 |
| 2014 | 141,135 | 10,098,952 | 38,622,301 |
| 2015 | 141,438 | 10,155,753 | 38,952,462 |
| 2016 | 142,022 | 10,185,851 | 39,214,803 |
| 2017 | 143,307 | 10,226,920 | 39,504,609 |
| 2018 | 145,003 | 10,254,658 | 39,740,508 |
| 2019 | 146,312 | 10,253,716 | 39,927,315 |

(1) As of January 1.
(2) As of April 1.
*Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.*
*2011-19 (2010 Benchmark): California Department of Finance for January 1.*

## Personal Income

The following table summarizes per capita personal income for the County, the State, and the United States from 2008 through 2017.

**PER CAPITA PERSONAL INCOME**
**2008 through 2017**
**Los Angeles County, State of California, and United States**

| Year | Los Angeles County | State of California | United States |
|---|---|---|---|
| 2008 | $43,431 | $43,895 | $40,904 |
| 2009 | 41,869 | 42,050 | 39,284 |
| 2010 | 43,569 | 43,609 | 40,545 |
| 2011 | 46,439 | 46,145 | 42,727 |
| 2012 | 49,459 | 48,751 | 44,582 |
| 2013 | 49,010 | 49,173 | 44,826 |
| 2014 | 52,130 | 52,237 | 47,025 |
| 2015 | 55,366 | 55,679 | 48,940 |
| 2016 | 56,851 | 57,497 | 49,831 |
| 2017 | 58,419 | 59,796 | 51,640 |

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2017 reflect county population estimates available as of March 2018. All dollar estimates are in current dollars (not adjusted for inflation).
*Source: U.S. Department of Commerce, Bureau of Economic Analysis.*

## Employment

The table below sets forth the recent labor force, employment and unemployment figures for the City, County, State and United States from 2014 through 2018.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE**
**2014 through 2018[1]**
**City of Pasadena, County of Los Angeles, State of California and the United States**

| Year | Area | Labor Force | Employment[2] | Unemployment | Unemployment Rate (%)[3] |
|---|---|---|---|---|---|
| 2014 | City of Pasadena | 76,700 | 71,100 | 5,600 | 7.4 |
| | Los Angeles County | 4,992,600 | 4,580,300 | 412,300 | 8.3 |
| | State of California | 18,714,700 | 17,310,900 | 1,403,800 | 7.5 |
| | United States | 155,922,000 | 146,305,000 | 9,617,000 | 6.2 |
| 2015 | City of Pasadena | 77,200 | 72,600 | 4,500 | 5.9 |
| | Los Angeles County | 4,989,800 | 4,659,700 | 330,100 | 6.6 |
| | State of California | 18,851,100 | 17,681,800 | 1,169,200 | 6.2 |
| | United States | 157,130,000 | 148,834,000 | 8,296,000 | 5.3 |
| 2016 | City of Pasadena | 78,100 | 74,600 | 3,500 | 4.5 |
| | Los Angeles County | 5,041,400 | 4,776,700 | 264,800 | 5.3 |
| | State of California | 19,044,500 | 18,002,800 | 1,041,700 | 5.5 |
| | United States | 159,187,000 | 151,436,000 | 7,751,000 | 4.9 |
| 2017 | City of Pasadena | 79,100 | 75,900 | 3,200 | 4.1 |
| | Los Angeles County | 5,096,500 | 4,853,800 | 242,700 | 4.8 |
| | State of California | 19,205,300 | 18,285,500 | 919,800 | 4.8 |
| | United States | 154,975,000 | 153,337,000 | 6,982,000 | 4.4 |
| 2018 | City of Pasadena | 79,800 | 76,600 | 3,200 | 4.0 |
| | Los Angeles County | 5,136,300 | 4,896,500 | 239,800 | 4.7 |
| | State of California | 19,398,200 | 18,582,800 | 815,400 | 4.2 |
| | United States | 162,075,000 | 155,761,000 | 6,314,000 | 3.9 |

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
*Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018 Benchmark.*

**Industry**

The City and County are included in the Los Angeles-Long Beach-Glendale Metropolitan Division (the "MD"). The distribution of employment in the MD is presented in the following table for the past five calendar years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

**INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES**
**2014 through 2018**
**Los Angeles-Long Beach-Glendale MD**

| Category | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Total Farm | 5,200 | 5,000 | 5,300 | 5,700 | 4,800 |
| Total Nonfarm | 4,192,600 | 4,285,800 | 4,394,600 | 4,448,300 | 4,510,100 |
| Total Private | 3,636,500 | 3,717,300 | 3,817,900 | 3,862,200 | 3,920,500 |
| Goods Producing | 493,100 | 497,300 | 497,100 | 490,300 | 491,600 |
| Natural Resources and Mining | 3,100 | 2,900 | 2,400 | 2,000 | 1,900 |
| Construction | 118,500 | 126,100 | 133,900 | 138,400 | 146,000 |
| Manufacturing | 371,500 | 368,200 | 360,800 | 349,900 | 343,700 |
| Durable Goods | 208,800 | 208,200 | 203,400 | 202,100 | 202,900 |
| Nondurable Goods | 162,700 | 160,000 | 157,400 | 147,700 | 140,800 |
| Service Providing | 3,699,500 | 3,788,500 | 3,897,400 | 3,958,000 | 4,018,500 |
| Private Service Providing | 3,143,300 | 3,220,000 | 3,320,800 | 3,371,900 | 3,428,900 |
| Trade, Transportation and Utilities | 804,500 | 822,200 | 835,600 | 845,700 | 850,900 |
| Wholesale Trade | 219,400 | 222,400 | 222,100 | 221,500 | 222,800 |
| Retail Trade | 415,700 | 422,200 | 424,600 | 426,100 | 425,300 |
| Transportation, Warehousing and Utilities | 169,300 | 177,600 | 188,900 | 198,200 | 202,800 |
| Information | 198,900 | 207,600 | 229,400 | 214,900 | 217,400 |
| Financial Activities | 211,200 | 215,600 | 219,800 | 221,600 | 223,000 |
| Professional and Business Services | 589,100 | 591,000 | 600,100 | 608,800 | 620,000 |
| Educational and Health Services | 725,000 | 745,900 | 772,700 | 800,600 | 823,600 |
| Leisure and Hospitality | 464,100 | 486,600 | 510,000 | 524,600 | 534,300 |
| Other Services | 150,500 | 151,000 | 153,300 | 155,700 | 159,700 |
| Government | 556,200 | 568,500 | 576,700 | 586,100 | 589,600 |
| Total, All Industries | 4,197,800 | 4,290,700 | 4,399,900 | 4,545,000 | 4,514,900 |

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
*Source: State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force – by Annual Average. March 2018 Benchmark.*

## Principal Employers

The following tables show the principal employers in the City and County by number of employees in 2018.

**PRINCIPAL EMPLOYERS**
**2018**
**City of Pasadena**

| Company | Number of Employees | Description |
|---|---|---|
| California Institute of Technology - JPL | 6,197 | Research & Development |
| California Institute of Technology - Campus | 3,900 | University |
| Huntington Memorial Hospital | 3,737 | Hospital |
| Kaiser Permanente | 3,152 | Hospital |
| Pasadena City College | 2,619 | College |
| Pasadena Unified School District[(1)] | 2,420 | Primary & Secondary Education |
| The City of Pasadena | 2,139 | Government |
| Bank of America | 1,410 | Financial Services |
| Art Center College of Design | 1,177 | Art & Design Education |
| Hathaway-Sycamores | 673 | Mental Health & Welfare Agency |
| Western Asset | 573 | Financial |
| One West Bank | 554 | Financial |
| East West Bank | 552 | Financial |
| The Langham Huntington Hotel (Ritz-Carlton) | 541 | Hotel |
| Parsons Corporation | 504 | Engineering & Construction |
| ATT (SBC in 2007) | 491 | Telecommunications |
| Rusnak Pasadena | 355 | Automotive Dealership |
| Pacific Clinics Administration | 254 | Behavioral Healthcare |
| Avon Products | 78 | Company (direct selling) beauty, household, personal care categories |

(1) For updated information regarding the District's employees, see "PASADENA UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
*Source: City of Pasadena 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.*

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**PRINCIPAL EMPLOYERS**
**2017**
**County of Los Angeles**

| Employer | Industry | Employees |
|---|---|---|
| Los Angeles County | Government | 108,995 |
| Los Angeles Unified School District | Education | 60,015 |
| University of California, Los Angeles | Education | 47,596 |
| U.S. Government- Federal Executive Board | Government | 47,000 |
| Kaiser Permanente | Non-profit health plan | 36,468 |
| City of Los Angeles | Government | 32,987 |
| State of California | Government | 28,700 |
| University of Southern California | Private university | 20,163 |
| Northrop Grumman Corp. | Defense contractor | 16,600 |
| Providence Health & Services So. California | Health care | 15,255 |
| Target Corp. | Retailer | 15,000 |
| Ralphs/Food 4 Less (Kroger Co. division) | Retail grocer | 14,970 |
| Walt Disney Co. | Entertainment | 13,000 |
| Albertsons/Vons/Pavilions | Retail grocer | 13,000 |
| Bank of America Corp. | Banking and financial services | 12,500 |
| Cedars-Sinai Medical Center | Medical center | 12,242 |
| NBC Universal | Entertainment | 12,000 |
| AT&T Inc. | Telecommunications | 11,500 |
| Home Depot | Home improvement specialty retailer | 11,200 |
| Los Angeles County MTA | Transportation | 10,433 |
| UPS | Transportation and freight | 10,131 |
| Los Angeles Department of Water & Power | Energy | 9,438 |
| Wells Fargo | Diversified financial services | 9,001 |
| Boeing Co. | Aerospace and defense systems | 9,000 |
| California Institute of Technology | Private university | 8,702 |
| Allied Universal | Electronic security systems | 8,384 |
| ABM Industries Inc. | Facility services, commercial cleaning | 8,000 |
| Los Angeles Community College District | Education | 7,084 |
| FedEx Corp. | Shipping and logistics | 7,000 |
| Long Beach Unified School District | Education | 6,607 |
| California State University, Northridge | Education | 6,540 |
| Dignity Health | Health care | 6,274 |
| Costco | Retailer | 6,000 |
| Amgen Inc. | Biotechnology | 5,616 |
| SoCal Gas | Natural Gas Utility | 5,600 |
| Raytheon | Aerospace and defense | 5,500 |

Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.
*Source: "2018 Book of Lists," Los Angeles Business Journal, August 28, 2018.*

## Commercial Activity

The following tables show summaries of historic taxable sales within the City and the County for years 2013 through 2017.

**TAXABLE SALES**
**2013 through 2017**
**City of Pasadena**
**(Dollars in Thousands)**

| Year | Retail Permits | Retail and Food Taxable Transactions | Total Permits | Total Outlets Taxable Transactions |
|---|---|---|---|---|
| 2013 | 4,805 | $2,340,726 | 6,364 | $2,858,392 |
| 2014 | 5,061 | 2,377,074 | 6,663 | 2,922,488 |
| 2015 | -- | 2,430,898 | -- | 2,988,039 |
| 2016 | -- | n/a | -- | n/a |
| 2017 | -- | 2,475,573 | -- | 3,031,728 |

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
*Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.*

**TAXABLE SALES**
**2013 through 2017**
**Los Angeles County**
**(Dollars in Thousands)**

| Year | Retail Permits | Retail and Food Taxable Transactions | Total Permits | Total Outlets Taxable Transactions |
|---|---|---|---|---|
| 2013 | 179,370 | $99,641,174 | 263,792 | $140,079,708 |
| 2014 | 187,408 | 104,189,819 | 272,733 | 147,446,927 |
| 2015 | -- | 108,147,021 | -- | 151,033,781 |
| 2016 | -- | n/a | -- | n/a |
| 2017 | -- | 113,280,347 | -- | 159,259,356 |

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
*Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.*

## Building Activity

The tables below set forth the building permit valuations in the City and the County from 2014 through 2018.

**BUILDING PERMITS AND VALUATIONS**
**2014 through 2018**
**City of Pasadena**
**(Dollars in Thousands)**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Valuation** | | | | | |
| Residential | $124,690 | $140,297 | $129,187 | $84,236 | $153,725 |
| Non-Residential | 103,660 | 106,360 | 96,093 | 93,353 | 203,689 |
| Total(1) | $228,350 | $246,657 | $225,280 | $177,589 | $357,414 |
| **Units** | | | | | |
| Single Family | 22 | 14 | 27 | 23 | 32 |
| Multiple Family | 525 | 564 | 383 | 146 | 493 |
| Total | 547 | 578 | 410 | 169 | 525 |

Note: Totals may not add to sum due to rounding.
*Source: Construction Industry Research Board.*

**BUILDING PERMITS AND VALUATIONS**
**2014 through 2018**
**Los Angeles County**
**(Dollars in Thousands)**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Valuation** | | | | | |
| Residential | $5,509,418 | $6,383,036 | $6,575,607 | $7,368,352 | $7,441,001 |
| Non-Residential | 6,657,571 | 5,645,372 | 5,287,623 | 6,037,503 | 6,694,097 |
| Total | $12,166,989 | $12,028,408 | $11,863,230 | $13,405,855 | $14,135,098 |
| **Units** | | | | | |
| Single Family | 4,358 | 4,487 | 4,780 | 5,546 | 6,070 |
| Multiple Family | 14,349 | 18,405 | 15,589 | 17,023 | 17,152 |
| Total | 18,707 | 22,892 | 20,369 | 22,479 | 23,222 |

Note: Totals may not add to sum due to rounding.
*Source: Construction Industry Research Board.*

## APPENDIX E

## LOS ANGELES COUNTY TREASURY POOL

*The following information concerning the Los Angeles County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County 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 Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at www.ttc.lacounty.gov; however, the information presented on such website is not incorporated herein by any reference.*

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## THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of June 30, 2019, 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 | $12.323 |
| Schools and Community Colleges | 16.492 |
| Discretionary Participants | 2.829 |
| Total | $31.644 |

The Treasury Pool participation composition is as follows:

| | |
|---|---|
| Non-discretionary Participants | 91.05% |
| Discretionary Participants: | |
| Independent Public Agencies | 8.52% |
| County Bond Proceeds and Repayment Funds | 0.43% |
| Total | 100.00% |

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 19, 2019, 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 July 31, 2019, the June 30, 2019, book value of the Treasury Pool was approximately $31.644 billion and the corresponding market value was approximately $31.613 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 (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 June 30, 2019:

| **Type of Investment** | **% of Pool** |
|---|---|
| Certificates of Deposit | 6.01 |
| U.S. Government and Agency Obligations | 64.00 |
| Bankers Acceptances | 0.00 |
| Commercial Paper | 29.51 |
| Municipal Obligations | 0.16 |
| 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 June 30, 2019, approximately 38% of the investments mature within 60 days, with an average of 547 days to maturity for the entire portfolio.

# APPENDIX F

# SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.



ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100