

NEW ISSUE-FULL BOOK-ENTRY

**RATING:**  
**S&P: “BBB+”**  
(See “RATING” herein)

*In the opinion of Dannis Woliver Kelley, Special Counsel to the District, under existing law, interest represented by the Certificates is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Certificates with certain covenants contained in the Resolution authorizing the Certificates and subject to the matters set forth under “TAX MATTERS” herein, interest represented by the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates, and will not be included in computing the alternative minimum taxable income of the owners thereof; however, interest represented by the Certificates is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein.*



**\$31,000,000\***  
**2025 CERTIFICATES OF PARTICIPATION**  
**Evidencing the Fractional Interests of the**  
**Owners Thereof in Lease Payments to be Made by the**  
**PARADISE UNIFIED SCHOOL DISTRICT**  
**(Butte County, California)**

**Dated: Date of Delivery**

**Due: May 1, as shown on the inside cover page hereof**

The Paradise Unified School District’s (the “District”) 2025 Certificates of Participation (the “Certificates”) are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2025 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee, the Public Property Financing Corporation of California (the “Corporation”) and the District to (i) finance certain capital improvements to District facilities and (ii) pay the costs related to the execution and delivery of the Certificates, all as further described in the sections “THE PROJECTS” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Pursuant to a Site Lease, dated as of April 1, 2025, the District will lease Paradise High School (the “Property”) to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease Agreement, dated as of April 1, 2025 (the “Lease”), by and between the Corporation and the District. The Certificates evidence fractional interests in Lease Payments to be made by the District, as lessee under the Lease. The District will covenant to budget and appropriate Lease Payments in each year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES — Lease Payments” herein. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS — Abatement” herein.

Interest represented by the Certificates is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2025. The Certificates will be delivered as fully registered securities, without coupons, and when delivered will be registered in the name of The Depository Trust Company (“DTC”), New York, New York, or its nominee. DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only, in authorized denominations, as described in this Official Statement. See APPENDIX G — “BOOK-ENTRY ONLY SYSTEM”.

**The Certificates are subject to prepayment prior to their stated maturity as described herein. See “THE CERTIFICATES — Prepayment” herein.**

**NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS IS SUBJECT TO THE DISTRICT’S BENEFICIAL USE AND POSSESSION OF THE PROPERTY.**

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Certificates or the Lease. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein.

**MATURITY SCHEDULE**

On Inside 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.**

*The Certificates are offered when, as and if issued, subject to the approval of their legality by Dannis Woliver Kelley, Long Beach, California, Special Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is also acting also as Disclosure Counsel for the issue. Certain matters will be passed on for the Underwriter by Norton Rose Fulbright (US) LLP, Los Angeles, California, for the Corporation by its counsel and the Trustee by its counsel. It is anticipated that the Certificates will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about April 10, 2025.*

**RAYMOND JAMES®**

Dated: \_\_\_\_\_, 2025

\* Preliminary, subject to change.

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

## MATURITY SCHEDULE

**\$31,000,000\***

### **2025 CERTIFICATES OF PARTICIPATION**

**Evidencing the Fractional Interests of the  
Owners Thereof in Lease Payments to be Made by the  
PARADISE UNIFIED SCHOOL DISTRICT  
(Butte County, California)**

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

| <u>Maturity</u><br><u>(May 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Yield</u> | <u>CUSIP<sup>(1)</sup></u><br><u>(699041)</u> |
|-----------------------------------|-----------------------------------|--------------------------------|--------------|---|
|-----------------------------------|-----------------------------------|--------------------------------|--------------|---|

\$ \_\_\_\_\_ % Term Certificates due May 1, 20\_\_ ; Yield \_\_\_\_ %; CUSIP<sup>(1)</sup> 699041

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*\* Preliminary, subject to change.*

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<sup>c</sup> Yield to first optional redemption date of May 1, 20\_\_ at par.

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

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion 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. 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. Although certain information set forth in this Official Statement has been provided by the County of Butte, the County of Butte has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "BUTTE COUNTY POOLED INVESTMENT FUND."

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

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

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

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

**PARADISE UNIFIED SCHOOL DISTRICT**  
**Butte County, State of California**

**Board of Trustees**

Melissa Crick, *President*  
Richard Gingery, Jr., *Vice President*  
Emily Vail, *Clerk*  
Susan Davis, *Member*  
Bill Sharrett, *Member*

**District Administrators**

Tom Taylor, *Superintendent*<sup>1</sup>  
David McCready, *Assistant Superintendent, Business Services*

**SPECIAL SERVICES**

**Special Counsel and Disclosure Counsel**

Dannis Woliver Kelley  
*Long Beach, California*

**Municipal Advisor**

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

**Trustee**

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

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<sup>1</sup> Superintendent Taylor has announced that he will retire, effective July 1, 2025. The District is in the process of undertaking a search for a replacement.

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**\$31,000,000\***  
**2025 CERTIFICATES OF PARTICIPATION**  
**Evidencing the Fractional Interests of the**  
**Owners Thereof in Lease Payments to be Made by the**  
**PARADISE UNIFIED SCHOOL DISTRICT**  
**(Butte County, California),**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside cover page, and the appendices hereto, provides certain information concerning the sale and delivery of the \$31,000,000\* 2025 Certificates of Participation (the “Certificates”), evidencing the fractional interests of the registered owners thereof (the “Owners”) in Lease Payments (as hereinafter defined) to be made by the Paradise Unified School District (the “District”) pursuant to a Lease Agreement, dated as of April 1, 2025 (the “Lease”), by and between the Public Property Financing Corporation of California, as lessor (the “Corporation”), and the District, as lessee, for the use and possession of Paradise High School (the “Property”).

This introduction is not a summary of the 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, the inside cover page and appendices hereto. Capitalized terms not defined herein shall have the meanings set forth in APPENDIX A hereto.

**The District**

The District, a unified school district of the State of California (the “State”), was established in 1951 and provides transitional kindergarten through twelfth grade education services as well as adult education services. The District operates three elementary schools, one intermediate school, one high school, a continuation school, a community day school, and an adult education center. In addition, four charter schools are currently operating under the District’s oversight within the District’s boundaries. The District encompasses approximately 70 square miles in Butte County (the “County”) including the communities of Paradise, Magalia and Stirling City. The District’s average daily attendance (“ADA”) for fiscal year 2024-25 is approximately 1,599 students. The District has a fiscal year 2024-25 total assessed valuation of \$2,792,874,182. The District’s audited financial statements for the fiscal year ended June 30, 2024 are attached hereto as APPENDIX D. For further information concerning the District, see the caption “PARADISE UNIFIED SCHOOL DISTRICT” herein.

In November 2018, the District was impacted by wildfires that destroyed several District campuses and facilities and displaced the Paradise community. See “THE DISTRICT – The Camp Fire” herein.

**Purpose of the Certificates**

The proceeds received from the sale of the Certificates will be used to (i) finance certain capital improvements to District facilities and (ii) pay the costs related to the execution and delivery of the Certificates, all as further described in the sections “THE PROJECT” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

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*\* Preliminary, subject to change.*

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

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2025 (the “Trust Agreement”), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The District is required under the Lease to pay Lease Payments for the use and possession of the Property, which is further described under the caption “THE PROPERTY” herein. The District is also required to pay any taxes and assessments and the cost of maintenance and repair of the Property.

Pursuant to an Assignment Agreement, dated as of April 1, 2025 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, substantially all of its rights under the Lease and a Site Lease, dated as of April 1, 2025 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments, Additional Payments, Reserve Replenishment Rent and Prepayments from the District under the Lease and rights as may be necessary to enforce payment of Lease Payments, Additional Payments, Reserve Replenishment Rent and Prepayments and to exercise all rights and remedies under the Lease following a default. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and Prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates. The District will covenant in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. The District’s obligation to make Lease Payments is subject to abatement in the event of the loss of use and possession of all or a portion of the Property due to its damage, destruction, title defect or taking by eminent domain. See “RISK FACTORS — Abatement” herein.

**Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.** See “RISK FACTORS” herein.

## **Description of the Certificates**

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

***Prepayment.*** The Certificates are subject to prepayment prior to maturity as described herein. See “THE CERTIFICATES — Prepayment” herein.

***Registration, Transfers and Exchanges.*** The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Certificates (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See “THE



CERTIFICATES — Book-Entry Only System” herein. In the event that the book-entry only system described below is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the provisions of the Trust Agreement. The Certificates are being delivered in the minimum denominations of \$5,000 and any integral multiple thereof.

**Payments.** Principal and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered owners of the Certificates and will be paid principal and interest by the Trustee, all as described in the Trust Agreement. See “THE CERTIFICATES — General” herein.

### **Continuing Disclosure**

The District will agree in the Continuing Disclosure Agreement for the benefit of Certificate Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The specific nature of the information to be made available and of the event notices to be provided is summarized below under the caption “CONTINUING DISCLOSURE” and APPENDIX E — “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. For information concerning the District’s compliance with its continuing disclosure undertakings over the past five years, see “CONTINUING DISCLOSURE” herein.

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

The Bank of New York Mellon Trust Company, N.A. will act as Trustee with respect to the Certificates. The Certificates will be delivered subject to the approval as to their legality by Dannis Woliver Kelley, Long Beach, California, Special Counsel. Dannis Woliver Kelley will also act as the District’s Disclosure Counsel with respect to the Certificates. Certain matters will be passed on for the Corporation by its counsel and the Trustee by its counsel. Isom Advisors, a Division of Urban Futures, Inc. will act as municipal advisor to the District. The District’s financial statements for the fiscal year ended June 30, 2024 are included as APPENDIX D hereto.

### **Certificate Owners’ Risks**

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

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The sale and delivery of the Certificates to potential investors is made only by means of the Official Statement.

Copies of the Lease, the Site Lease, the Trust Agreement, the Assignment Agreement and the Continuing Disclosure Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the District at 6696 Clark Road, Paradise, California 95969.

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

## **THE PROJECT**

The District expects to apply the net proceeds from the sale of the Certificates to (i) finance certain capital improvements to Paradise Elementary School facilities and (ii) pay the costs related to the execution and delivery of the Certificates. See, “THE PROPERTY” herein.

## **THE PROPERTY**

Pursuant to the Site Lease, the District is leasing the Property to the Corporation and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of Paradise High School, located at 5911 Maxwell Road, in Paradise, California and serves grades nine through twelve. The land and improvements on the Property currently have a total estimated insured replacement value of approximately \$52 million. See also “RISK FACTORS – Property Values” herein.

## **THE CERTIFICATES**

### **General**

The Certificates will be executed in the aggregate principal amount of \$31,000,000\*. The Certificates will be dated their date of delivery and will be delivered as registered Certificates without coupons in denominations of \$5,000 each, and any integral multiple thereof. Interest with respect to the Certificates will be payable on each May 1 and November 1, commencing November 1, 2025 (each a “Certificate Payment Date”), at the rates per annum set forth on the inside cover page of this Official Statement. The Certificates will mature on May 1 in the designated years and in the principal amounts as set forth on the inside cover page of this Official Statement.

If a Certificate is executed: (i) as of a Certificate Payment Date, interest will be payable from such Certificate Payment Date; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not a business day) (each, a “Record Date”) and before the following Certificate Payment Date, interest will be payable from such following Certificate Payment Date and (iii) on or prior to October 15, 2025, interest evidenced thereby shall be payable from the date of execution and delivery of the Certificates. Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments and Prepayments thereof to be made by the District pursuant to the Lease. To the extent Lease Payments are abated or not made under the Lease and insurance proceeds or amounts in or credited to the Reserve Fund are not available to make such Lease Payments, all Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS — Abatement.”

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\* Preliminary, subject to change.

So long as the Certificates are held in book-entry form, principal and interest will be paid to DTC for disbursement to Beneficial Owners of interests in the Certificates in accordance with DTC's procedures. See "— Book-Entry Only System" below. In the event that the Certificates are no longer held in book-entry form, the following provisions will apply. Principal with respect to the Certificates will be payable upon surrender by the Certificate Owners thereof at the principal office of the Trustee. Interest with respect to the Certificates will be payable by check mailed by first class mail to the Certificate Owners of record at the address shown on the Certificate registration books maintained by the Trustee for such purpose. Certificate Owners in an aggregate principal amount of \$1,000,000 or more may, by providing written instruction to the Trustee, receive interest with respect to the Certificates by wire transfer.

## **Prepayment\***

### ***Optional Prepayment***

The Certificates maturing on or after May 1, 20\_\_ are subject to optional prepayment prior to their stated maturities on any date on or after May 1, 20\_\_, in whole or in part, at the option of the District, from any lawfully available source in the event the District exercises its option under the Lease to prepay the Principal Component of the Lease Payments, at a prepayment price equal to the Principal Component of the Lease Payments to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

The District may provide a conditional notice to optionally prepay Certificates. In the event the District gives a conditional notice to the Trustee of its intention to exercise such option, but does not deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the prepayment of the Certificates shall not occur and the District shall not be required to prepay the Certificates and the District will continue to pay the Lease Payments as if no such notice had been given. Within a reasonable time thereafter, the Trustee shall give notice to the Owners that the conditions to prepayment were not met, and the prepayment was cancelled.

***Extraordinary Prepayment.*** The Certificates are subject to prepayment prior to their respective maturity dates on any date, in whole or in part, from Net Proceeds which the Trustee shall transfer to the Prepayment Fund as provided in the Lease at least 45 days prior to the date set for prepayment, at a prepayment price equal to the Principal Component of the Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium, in the event of certain accidents, destruction, theft or taking by eminent domain or condemnation with respect to the Property as described in the Lease.

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

***Selection of Certificates for Prepayment.*** Whenever provision is made for the optional prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for optional prepayment from among maturities selected by the District and by lot within any maturity. In connection with an extraordinary prepayment of the Certificates, the Trustee shall select Certificates for prepayment pro rata among maturities and by lot within a maturity. The Trustee will promptly notify the District and the Corporation in writing of the Certificates so selected for prepayment by mailing to the District and the Corporation copies of the notice of prepayment provided.

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\* Preliminary; subject to change.

***Mandatory Sinking Fund Prepayment.*** The Certificates maturing May 1, 20\_\_ are subject to mandatory sinking fund prepayment on May 1 of each Mandatory Sinking Fund Payment Date and in the respective principal amounts as set forth in the following schedule, at a prepayment price equal to the principal amount thereof to be prepaid plus accrued interest thereon to the date fixed for prepayment, without premium:

| Mandatory Sinking Fund<br>Payment Date<br>(May 1) | Principal Amount to<br>be Prepaid |
|---|-----------------------------------|
| _____   | _____                             |

(1) Maturity.

In the event that a portion of the Certificates maturing on May 1, 20\_\_, is optionally prepaid prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Certificates optionally prepaid.

### **Prepayment Procedures**

Notice of prepayment shall be mailed by first-class mail, postage prepaid, not less than 20 nor more than 60 days before the prepayment date, to the respective Certificates Owners designated for prepayment at their addresses appearing on the Certificate registration books; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for prepayment. In addition, notice shall be sent to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System. Neither failure to send such notice nor any defect in any notice so sent shall affect the sufficiency of the proceedings for the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the series and Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, (g) the rate of interest payable with respect to each Certificate being prepaid, (h) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid, and (i) if the notice is conditional, a statement to that effect. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount of such Certificate to be prepaid, together with interest accrued to said date and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

So long as DTC is the registered Owner of the Certificates, all such notices will be provided only to DTC as the registered Owner, and such notices will not be mailed by the Trustee to the Beneficial Owners of the Certificates. See “— Book-Entry Only System” herein.

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

If, on the date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to the date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as provided in the Trust Agreement, then, from and after the date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

### **Book-Entry Only System**

The Certificates will be executed and delivered as one fully registered certificate without coupons for each maturity and, when executed and delivered, will be registered in the name of Cede & Co., as nominee DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof for each maturity. Beneficial Owners will not receive certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the Beneficial Owners of the Certificates in accordance with DTC's procedures. See APPENDIX G — "BOOK-ENTRY ONLY SYSTEM" hereto.

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## CERTIFICATE PAYMENT SCHEDULE

Lease Payments are required to be made by the District under the Lease on or before April 15 and October 15 of each year for the use and possession of the Property for the period commencing as of the Closing Date and terminating as provided in the Lease. The following table summarizes the annual Certificate payments to be made from the Lease Payments of the District assuming no optional or extraordinary prepayments.

### ANNUAL CERTIFICATE PAYMENT SCHEDULE

| Certificate<br>Year<br>(May 1) | Principal<br>Component | Interest<br>Component | Total Annual<br>Certificate<br>Payments |
|--------------------------------|------------------------|-----------------------|---|
| 2026                           |                        |                       |   |
| 2027                           |                        |                       |   |
| 2028                           |                        |                       |   |
| 2029                           |                        |                       |   |
| 2030                           |                        |                       |   |
| 2031                           |                        |                       |   |
| 2032                           |                        |                       |   |
| 2033                           |                        |                       |   |
| 2034                           |                        |                       |   |
| 2035                           |                        |                       |   |
| 2036                           |                        |                       |   |
| 2037                           |                        |                       |   |
| 2038                           |                        |                       |   |
| 2039                           |                        |                       |   |
| 2040                           |                        |                       |   |
| 2041                           |                        |                       |   |
| 2042                           |                        |                       |   |
| 2043                           |                        |                       |   |
| 2044                           |                        |                       |   |
| 2045                           |                        |                       |   |
| 2046                           |                        |                       |   |
| 2047                           |                        |                       |   |
| 2048                           |                        |                       |   |
| 2049                           |                        |                       |   |
| 2050                           |                        |                       |   |
| 2051                           |                        |                       |   |
| 2052                           |                        |                       |   |
| 2053                           |                        |                       |   |
| 2054                           |                        |                       |   |
| <b>Total</b>                   |                        |                       |   |

## SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

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

### General

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

Under the Lease, the District will agree to pay certain taxes, assessments, utility charges, and insurance premiums due with respect to the Property and the Certificates and fees and expenses of the Trustee provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Lease as and when the same become due. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the interest of the Corporation in such portion of the Property will not be materially endangered and that the that the Property will not be subjected to loss or forfeiture.

In accordance with the Lease, the District will certify to the Trustee on or before July 1 of each year that the District has included all Lease Payments, Reserve Replenishment Rent and Additional Payments (known as of the date of budget adoption) due under the Lease in the fiscal year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Reserve Replenishment Rent and Additional Payments in its annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure shall constitute an Event of Default under the Lease.

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

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

### **Lease Payments**

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see “RISK FACTORS — Abatement” herein) and prepayment of Lease Payments (see the provisions relating to prepayment under the caption “THE CERTIFICATES” above), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments to be due and payable on May 1 and November 1 of each year. Under the Lease, the District is required to deposit the Lease Payments with the Trustee on April 15 and October 15 of each year, or, if such day is not a Business Day, the next succeeding Business Day (each, a “Lease Payment Deposit Date”).

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

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

### **Reserve Fund**

A Reserve Fund will be established by the Trust Agreement for the Certificates and any Additional Certificates in an amount equal to the least of (i) maximum aggregate annual Lease Payments payable under the Lease in any Certificate Year with respect to the Certificates and any Additional Certificates, (ii) 125% of the average annual aggregate Lease Payments then payable under the Lease (calculated based on Certificate Years) with respect to the Certificates and any Additional Certificates, or (iii) 10% of the original face amount of the Certificates and any Additional Certificates (less original issue discount of in excess of two percent (2%) of the stated Principal Components at maturity) (collectively, the “Reserve Requirement”).

The full amount available in the Reserve Fund may be used by the Trustee in the event that amounts in the Lease Payment Fund are not sufficient to pay the principal or interest due with respect to the Certificates due to abatement or failure by the District to make Lease Payments. Subject to the requirements and restrictions contained in the Trust Agreement, the District may substitute cash or, with notice to S&P, a line of credit, letter of credit, an insurance policy, surety bond or any other comparable credit facility (each, a “Reserve Facility”) or combination thereof in lieu of all or a portion of the initial security funding the Reserve Fund, which in the aggregate makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement; provided, however, the long-term unsecured debt or claim-paying ability, as the case may be, of the provider of any such Reserve Facility, must be rated in one of the two highest rating categories by S&P and/or Moody’s (without regard to qualifiers) at the time of



purchase of the Reserve Facility. The term of any Reserve Facility shall either be equal to the term of the Lease or a rollover of the Reserve Facility or other equivalent replacement shall be required such that the aggregate term of all Reserve Facilities shall equal the term of the Lease.

The District is obligated to replenish the Reserve Fund up to the Reserve Requirement by paying reserve replenishment rent under the Lease (“Reserve Replenishment Rent”) to the extent that amounts have been withdrawn from the Reserve Fund or a draw has been made on any Reserve Facility. Reserve Replenishment Rent will be paid, however, only if (i) Lease Payments are not in abatement, (ii) the amount of such Lease Payments and any Additional Payments is less than the fair rental value of the Property.

### **Additional Payments**

The District shall pay such amounts (“Additional Payments”) as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including, without limitation, all expenses, assessments, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, taxes of any sort whatsoever payable by the Corporation as a result of its leasehold interest in the Property or undertaking of the transactions contemplated in the Lease or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement, including premiums on insurance required to be maintained by the Lease or to indemnify the Corporation and its officers and directors.

### **Insurance**

Pursuant to the Lease, the District will obtain a CLTA leasehold title insurance policy (with certain exceptions) on the Property in an amount equal to the aggregate Principal Component of unpaid Lease Payments. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future two-year period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies, workers’ compensation insurance and insurance against loss or damage to the Property caused by a variety of factors. The District may self-insure against such risks as permitted by the Lease. See APPENDIX A — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE LEASE — Insurance” and “THE DISTRICT — Insurance” hereto. The District is not required to maintain flood or earthquake insurance. See “RISK FACTORS” herein.

The proceeds of any rental interruption or use and occupancy insurance will be deposited to (i) the Reserve Fund to make up any deficiency therein and recover certain damages, and (ii) in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance or condemnation award either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which a title defect, condemnation, material damage or destruction to all or part of the Property substantially interferes with the District’s use and possession thereof. No acceleration of Lease Payments is permitted in the event of a default. See “RISK FACTORS — Abatement” herein.

## **Remedies on Default**

If the District defaults in performance of its obligations under the Lease, the Trustee, as assignee of the Corporation, may, among other things, elect either (i) to terminate the Lease and re-enter and relet the Leased Premises, or (ii) without terminating the Lease enforce the Lease and hold the District liable for all Lease Payments on an annual basis whether or not it has re-entered and relet the Leased Premises. See “RISK FACTORS—Limited Recourse on Default” and APPENDIX A — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE TRUST AGREEMENT — Events of Default and Remedies.”

## **Additional Certificates**

Pursuant to the Trust Agreement, the District may cause Additional Certificates to be executed and delivered without the consent of the Owners of the Certificates if certain conditions precedent are satisfied. See “RISK FACTORS — Additional Certificates” and APPENDIX A — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE TRUST AGREEMENT — Additional Certificates.”

## **Plan of Payment for the Certificates**

The Lease Payments are payable from any source of legally available funds, including but not limited to unrestricted moneys of the District, the majority of which are deposited in the District’s general fund (the “General Fund”). See “RISK FACTORS—General Considerations – Security for the Certificates” herein.

Although not pledged for repayment, the District intends to use State Reimbursement Funds and unissued general obligation bonds of the District authorized by District voters at the November 6, 2018 election as a source of repayment for the Certificates. To the extent that the revenues received from such sources are insufficient to make Lease Payments (and, accordingly, principal and interest components of the Certificates), the District intends to cover any shortfall from its General Fund.

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

The estimated sources and uses of proceeds to be received from the sale of the Certificates are as follows:

### ***Sources***

Certificate Par Amount  
Net Original Issue Premium  
Total

### ***Uses***

Deposit to Project Fund  
Costs of Delivery<sup>(1)</sup>  
Total

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<sup>(1)</sup> Includes Underwriter’s discount, legal fees, municipal advisor fees, printing, rating agency fees and expenses, and other miscellaneous delivery costs.

## **RISK FACTORS**

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

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is an obligation of the District payable from legally available funds and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time. See "STATE OF CALIFORNIA FISCAL ISSUES" herein. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

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

Neither the Certificates nor the obligation of the District to make the Lease Payments constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, nor an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments, Reserve Replenishment Rent and Additional Payments from any source of legally available funds and the District will covenant in the Lease that it will take such action as may be necessary to include all Lease Payments, Reserve Replenishment Rent and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease.

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

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

### **Constitutional and Statutory Limitations on Appropriations**

There are limitations on the ability of the District to increase revenues. The ability of the District to increase the ad valorem property tax is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. In 1986, California voters approved an initiative statute that attempts to limit the imposition of new or higher taxes by local agencies, including the District. On November 5, 1996, voters approved Proposition 218 – the "Right to Vote on Taxes Act," which further affects the ability of local agencies to levy and collect existing and future taxes, assessments, fees and charges. On November 3, 2010, California voters approved Proposition 26, which generally expands the definition of "taxes" that are subject to voter approval requirements imposed by Proposition 218. Additionally, Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted

to make. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES” herein.

### **Abatement**

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments Additional Payments and Reserve Replenishment Rent (other than to the extent that funds to make Lease Payments are available in the Lease Payment Fund and the Reserve Fund) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments, Additional Payments and Reserve Replenishment Rent due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction, title defect or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. The amount of such abatement shall be determined by the District such that the resulting Lease Payments, Additional Payments and reserve Replenishment Rent represent fair consideration for the District’s right to use and possession of the portion of the Property not damaged, destroyed or interfered with as a result of title defect or taking. The Reserve Fund will be funded on the date of execution and delivery of the Certificates with the Reserve Policy, in an amount equal to the Reserve Requirement, and amounts available in the Reserve Fund shall be used by the Trustee, together with rental interruption insurance, to make payments in the event Lease Payments received by the Trustee are insufficient to pay principal and interest with respect to the Certificates as such amounts become due.

If damage or destruction, title defect or taking of the Property results in abatement or adjustment of Lease Payments, Additional Payments and Reserve Replenishment Rent and the resulting payments, together with moneys in the Reserve Fund, are insufficient to make all payments of principal and interest with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only source of funds available to the Trustee or Owners will be any proceeds of rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years following damage or destruction of the Property with respect to an insured loss. Rental interruption insurance does not cover a loss of use due to uninsured events such as earthquake and flood.

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

### **Absence of Earthquake Insurance and Flood Insurance**

Much of California is seismically active, with numerous faults that could be earthquake sources. The District has no earthquake insurance on the Property and is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. Seismic activity could cause significant damage to the Property and the value of the Property could be adversely affected and an abatement of Lease Payments could occur due to a seismic event. The District is not able to predict whether or to what extent these results might occur.

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

The Property is not in a 100-year flood plain. The District has no flood insurance on the Property.

### **Other Limitations on Liability**

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

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

### **No Acceleration upon Default**

In the event of a default by the District under the Lease, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and, in the event of default, the Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

### **Limited Recourse on Default**

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. If the Property is determined to be of an essential nature to the District by a court, it is not certain whether such court would permit the exercise of the remedies of repossession and re-leasing of the Property. The Trustee is not empowered to sell the Property for the benefit of the Owners.

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

The enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code

and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, would subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Certificates. In a bankruptcy case, a plan of adjustment for the District could be confirmed that would allow for enforcement of the Lease, but the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants and other terms or provisions of the Lease and the Certificates may be altered by the bankruptcy court. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. In addition, if the Lease is determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the District could choose not to perform under the Lease and the claim of the Owners could be substantially limited. An allowable claim could be substantially less than the amount of the Certificates outstanding, resulting in the Owners not receiving the full amount of the principal and interest due with respect to the Certificates.

### **Substitution of Property**

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property and may release a portion of the Property from the Lease. Although the Lease requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Lease Payments payable by the District in any fiscal year, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of addition, substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution or release. See APPENDIX A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE LEASE AGREEMENT — Substitution or Release of the Property" hereto.

### **Additional Certificates**

The Trust Agreement permits Additional Certificates secured on a parity with the Certificates to be executed and delivered upon compliance with the provisions in the Trust Agreement. In connection with the execution and delivery of any Additional Certificates, the Lease Payments due under the Lease would be increased. The Certificates and any Additional Certificates will be secured on a parity under the Trust Agreement by Lease Payments and other amounts held in the funds established thereunder. See APPENDIX A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Trust Agreement — Additional Certificates."

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## **Property Values**

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

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

## **Cybersecurity**

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers recently approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

The District is not aware of any major cybersecurity attack or breach of its systems during the last five years. To protect itself from cybersecurity attacks, the District utilizes firewalls, nightly offsite data backup, anti-virus and anti-malware software, and provides cybersecurity training to District employees. In addition, the District has an informal general technology use policy. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains a policy of cyber liability insurance.

There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties. The District is also reliant on other entities and service providers, such as the Trustee, in connection with compliance by the District with its continuing disclosure undertakings. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners of the Certificates, e.g., systems related to the timeliness of payments on their respective Certificates or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement.

## **Recent Wildfires in the District**

In recent years, certain portions of the State, including the District, were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. According to the California Department of Forestry and Fire Protection (CalFire), portions of the District are located in moderate, high or very high

fire hazard severity zones, which are determined based on the average hazard across the area included in the zone.

***Very High Fire Hazard Severity Zone.*** The Town of Paradise is designated a “very high fire hazard severity zone” pursuant to California Government Code Section 51179. Certain fire-damage mitigation measures are required for occupied structures in very high fire hazard severity zones relating to the maintenance of defensible space around such structure and the removal or maintenance of trees, shrubs and plants on such property near chimneys, building overhangs or roofs. Additional measures such as using fire-proof roofing are encouraged but not required. Additionally, the District has employed numerous fire damage reduction measures in its construction relating to roofing, gutters, venting, siding materials, windows and doors, as well as two zones of defensible space around the exterior of buildings.

***The Camp Fire.*** In November, 2018, the District was impacted by the most deadly and destructive wildfire in California history, the Camp Fire. The Camp Fire displaced the entire community of Paradise as well as the neighboring community of Magalia and killed more than 80 people. Approximately 18,800 buildings were destroyed with only 5% of buildings remaining without serious damage. The assessed value within the District decreased by approximately 52% as a result of the destruction of improved property due to the Camp Fire. As of March 12, 2025, the town of Paradise has received 3,351 single family home building permit applications, has issued 3,204 building permits and 2,729 homes have been re-built (certificate of occupancy issued) and has received 824 multi-family unit building permit applications, has issued 767 building permits with 650 multi-family units re-built (certificate of occupancy issued).

The District is unable to predict what long term effect the Camp Fire may have on the future assessed valuation of property within the District, or when or if assessed valuation in the District will return to pre-Camp Fire levels. See “THE DISTRICT – Impact of the Camp Fire on the District” for more information regarding the impact of the Camp Fire on the District’s operations and finances.

***North Complex Fire; Dixie Fire.*** During the summers of 2020 and 2021, California experienced large-scale wildfires in several portions of the State. Several of these fires were located in areas in or adjacent to the County.

The North Complex Fire, which was sparked by lightning on August 17, 2020 burned approximately 318,930 acres of land, including area within the County and Yuba and Plumas counties, although not within the District.

The Dixie Fire, which started in the Feather River Canyon (near Cresta Dam) on July 13, 2021, burned more than 960,000 acres before being 100% contained on October 25, 2021. It has become the largest non-complex wildfire in the State's history, and the second-largest overall. The Dixie Fire affected Butte, Plumas, Lassen, Shasta, and Tehama Counties, damaging or destroying several small towns, including Greenville and Canyon dam. Land within the District was not affected by the Dixie Fire.

***The Park Fire.*** On July 24, 2024, a fire started in the City of Chico in the County and spread to neighboring Tehama County (the “Park Fire”). The Park Fire burned approximately 429,603 acres of land, including damage to 54 structures and destruction of 709 structures. Portions of the District were subject to evacuation warnings from July 26<sup>th</sup> through July 29<sup>th</sup> due to the Park Fire but no evacuations were ordered. There was no damage to any land or property within the District from the Park Fire.

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## **Other Natural Disasters Impacting Assessed Valuation**

***Drought Conditions.*** Water shortfalls resulting from the driest conditions in recorded State history caused a State-wide drought State of Emergency for California in 2014 and the imposition by State regulators of reductions in water usage through 2017 when the State-wide drought ended in almost all California counties.

During fiscal years 2020-21, 2021-22, and 2022-23, much of the State experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. Beginning in April, 2021, Governor Newsom signed several executive orders relating to the drought, including declaring states of emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during rain and using potable water to clean hard surfaces and driveways. In June, 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations followed by additional water use regulations in December prohibiting wasteful water use practices. On March 24, 2023, as a result of rain and snowfall in the State, Governor Newsom rolled back many of the water use restrictions in his previous drought-related executive orders but left in place certain measures aimed at wasteful water uses as well as preserving ground water supplies.

Currently, according to the U.S. Drought Monitor, the southern-most counties in the State are experiencing Severe Drought with small areas in the south-eastern most regions of the State experiencing Extreme Drought. The County is not currently experiencing drought. The District cannot predict if or when drought conditions might occur in the County or if water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

***Earthquakes.*** All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the District due to the highly active seismic region and the proximity of fault zones within or near the District. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the District and other local public entities and would require a high level of self-help, coordination and cooperation.

The District is located in a high risk-level earthquake zone. The territory within the County has experienced more than 728 earthquakes since 1931, with the largest earthquake within 30 miles of the County, being a 5.7 magnitude, which occurred in 1975. There is a 45% chance of a major earthquake (i.e., a 5.0 magnitude or greater) within 50 miles of the County within the next 50 years.

***Climate Change.*** Climate change caused by human activities may have adverse effects on the property within the boundaries of the District. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts and wildfires as well as increased risk of flooding and a rise in sea levels. Projections of the impacts of global climate change are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts.

The occurrence of natural disasters within the boundaries of the District could result in substantial damage to property within the District, including the Property, and, in turn, could substantially reduce general fund revenues. Natural disasters could also result in substantial damage to properties within the District. As a result, natural disasters could affect the ability of the District to make Lease Payments or cause an abatement in Lease Payments. Reduced ability to pay Lease Payments could affect the timely payment of the principal of and interest represented by the Certificates.

***Change in Economic Conditions.*** The outbreak of COVID-19 and the corresponding measures to prevent its spread caused widespread unemployment and economic slowdown in the United States, the State and the County. Such economic slowdown created risk for economic recession or depression or a general market decline in real estate values which in turn could have led to a reduction of assessed values in the District.

The District cannot make any representation regarding the effects that drought, flooding, changes in economic conditions (caused by pandemic or otherwise), fire conditions, earthquakes, or other natural disasters has had, or may have on the value of taxable property within the District, or to what extent such conditions could cause disruptions to economic activity, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

## **THE CORPORATION**

The Public Property Financing Corporation of California, a nonprofit public benefit corporation, duly organized and existing under the laws of the State of California was incorporated pursuant to the Nonprofit Public Benefit Corporation Law of the State (Title 1, Division 2, Part 2 of the California Corporation Code). The Corporation was established in order to assist public agencies in financing capital projects and equipment needs.

## **THE DISTRICT**

### **Introduction**

The District, a unified school district of the State, was established in 1951 and provides transitional kindergarten through twelfth grade education services as well as adult education services. The District operates three elementary schools, one intermediate school, one high school, a continuation school, a community day school, and an adult education center. In addition, four charter schools are currently operating under the District's oversight within the District's boundaries. The District encompasses approximately 70 square miles in the County, including the communities of Paradise, Magalia and Stirling City. The District's ADA for fiscal year 2024-25 is approximately 1,599 students. The District has a fiscal year 2024-25 total assessed valuation of \$2,792,874,182. The District's audited financial statements for the fiscal year ended June 30, 2024 are attached hereto as APPENDIX D.

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## Board of Trustees

The District is governed by a Board consisting of five members who were elected at large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

### BOARD OF TRUSTEES

| Name                 | Office         | Term Expires December |
|----------------------|----------------|-----------------------|
| Melissa Crick        | President      | 2028                  |
| Richard Gingery, Jr. | Vice President | 2026                  |
| Emily Vail           | Clerk          | 2028                  |
| Susan Davis          | Trustee        | 2028                  |
| Bill Sharrett        | Trustee        | 2026                  |

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Paradise Unified School District, 6696 Clark Road, Paradise, California 95969, Attention: Assistant Superintendent, Business Services. The District may charge a small fee for copying, mailing and handling.

## Key Personnel

**Tom Taylor, Superintendent.<sup>1</sup>** Tom Taylor has served as Superintendent of the District since December, 2019. Previously, Superintendent Taylor served as Assistant Superintendent, Human Resources and Educational Services, Director of Human Resources and as a Principal within the District. In all, Superintendent Taylor has worked in the District since 2005. Superintendent Taylor earned a Bachelor's degree in Finance and an Administrative Credential from Chico State University, a Single Subject Teaching Credential in Business from Chapman University, and a Masters in School Administration from American College of Education.

**David McCready, Assistant Superintendent, Business Services.** David McCready has served as Assistant Superintendent, Business Services of the District since 2012. Prior to the District, Mr. McCready served as the Chief Business Official of Thermalito Union Elementary School District. Mr. McCready received a Master's degree in Public Administration from Chico State University and a Bachelor's degree in Business Administration with a minor in Economics from Chico State University.

## Impact of the Camp Fire on the District

In November 2018, the Camp Fire in Paradise, California destroyed a significant portion of the town of Paradise as well as surrounding area. All but one of the District's schools were either damaged or destroyed. Immediately following the Camp Fire, the District was able to relocate its classrooms to

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<sup>1</sup> Superintendent Taylor has announced that he will retire, effective July 1, 2025. The District is in the process of undertaking a search for a replacement.

neighboring school districts and other available housing through leases of classrooms and other commercial space. As of the 2019-20 school year, the District relocated its education services back within the District.

Currently, Paradise Elementary School and Ponderosa Elementary School students are housed at the former Paradise Middle School campus now known as Paradise Ridge Elementary School while those schools are rebuilt. Both Paradise Intermediate School and Paradise High School are operating at the former Paradise High School campus. Ridgeview High School has been relocated to a previously closed District campus re-opened to provide housing for the displaced students. Both Cedarwood Elementary and Pine Ridge Elementary Schools were able to re-open for instruction during the 2018-19 school year.

As a result of the District's Camp Fire losses, the District received a total of \$77,538,079 in insurance proceeds. In addition, the District has received \$19,380,000 from Pacific Gas and Electric Company ("PG&E") as part of a settlement related to the Camp Fire. The final amounts of PG&E settlement proceeds to be received are still being determined.

The District experienced a significant decline in enrollment due to the Camp Fire. The enrollment for fiscal year 2023-24 was approximately 48% of pre-Camp Fire enrollment. See "DISTRICT FINANCIAL INFORMATION - ADA and Enrollment" herein. Senate Bill 75 amended Education Code 46392(d)(1) providing the District with a hold harmless provision related to total funding. The legislation regarding the District's receipt of revenue under the LCFF enacted after the Camp Fire held the District harmless through fiscal year 2020-21 such that the District's LCFF revenue was based on pre-Camp Fire enrollment through fiscal year 2020-21. In fiscal year 2021-22, the District's LCFF revenue was no longer held harmless but in addition to its LCFF entitlement, it also received an amount equal to 25% of the hold harmless amount previously included in its LCFF revenue. In fiscal year 2022-23, the District received 12.5%, or \$2,087,000, in hold harmless funding, the final year such funding was received.

## **Employees and Labor Relations**

The District employs approximately 118.5 full-time equivalent ("FTE") certificated academic professionals, approximately 112.6 FTE classified employees, and approximately 18.2 FTE management/supervisor/confidential employees.

The certificated employees of the District have assigned the Teachers Association of Paradise ("TAP") as their exclusive bargaining agent. The contract between the District and TAP expires on June 30, 2025.

The classified employees have assigned California School Employees Association, Chapter 837 ("CSEA") as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2025.

## **District Retirement Systems**

*The information set forth below regarding the District's retirement 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 the District.*

**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").

Benefit provisions and employer contributions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. For fiscal year 2024-25, the District is currently required by such statutes to contribute 19.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.828% of teacher payroll for fiscal year 2024-25. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria, and a contribution of 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.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16, and will continue to increase annually as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay for employees ("Classic Members") hired before the Implementation Date (defined herein) and 10.205% for employees ("PEPRA Members") hired after the Implementation Date (defined herein), over the three-year period from 2014-15 through 2017-18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Teachers' Retirement Board (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. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter 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%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to AB 1469, school districts' employer contribution rates increased over a seven-year phase-in period beginning in fiscal year 2014-15 through fiscal year 2019-20 when employer contribution rates reached 17.1% (including certain reductions in the contribution rate for supplemental payments made by the State in fiscal years 2019-20 and 2020-21.)

*Recent Investment Returns.* In fiscal year 2023-24, STRS realized an 8.4% net return on investments, exceeding its investment rate of return assumption of 7.0%. The STRS pension system is ahead of schedule in reaching full funding by 2046.

The District contributed \$1,567,681 to STRS for fiscal year 2020-21, \$1,635,011 for fiscal year 2021-22, \$1,887,297 for fiscal year 2022-23 and \$2,132,642 for fiscal year 2023-24. The District has budgeted a contribution of \$3,311,081 to STRS for fiscal year 2024-25 as of the second interim report.

**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, with the Public Employees’ Retirement Law. The District is currently required to contribute to PERS at an actuarially determined rate, which is 27.05% of eligible salary expenditures for fiscal year 2024-25, while Classic Members contribute at a rate established by statute which is 7% of their respective salaries, and PEPRA Members contribute at an actuarially determined rate which is 8.00% of their respective salaries. See –“California Public Employees’ Pension Reform Act of 2013” below.

PERS estimates future employer contribution rates as follows:

| Fiscal Year | Projected Employer<br>Contribution Rates<br>(PERS Actuarial Report) <sup>(1)</sup> |
|-------------|--|
| 2025-26     | 27.40%   |
| 2026-27     | 27.50  |
| 2027-28     | 28.50  |
| 2028-29     | 28.20  |
| 2029-30     | 27.80  |

<sup>(1)</sup>As of August 20, 2024.

The actual investment return for fiscal year 2023-24 was not known at the time the above projections were prepared and the rates assume an investment return for fiscal year 2023-24 of 6.80%. Projected rates also reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers.

**Recent Investment Returns.** From its Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which was PERS’ first negative return on investments since fiscal year 2008-09. Such losses are reflected in PERS’ projected rates above. However, PERS Basic Financial Statements for fiscal year ended June 30, 2023 reported an investment return of 6.1% and PERS has released a preliminary net return of 9.3% on investments for fiscal year 2023-24.

The District contributed \$9,895,264 to PERS for fiscal year 2020-21, \$5,600,357 for fiscal year 2021-22, \$1,108,674 for fiscal year 2022-23 and \$1,360,819 for fiscal year 2023-24. The District has budgeted a contribution of \$1,452,877 to PERS for fiscal year 2024-25 as of the second interim report.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS as of June 30, 2023 and STRS as of July 1, 2023.

**FUNDED STATUS**  
**STRS (DEFINED BENEFIT PROGRAM) and PERS**  
**Actuarial Valuation**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**

| Plan   | Accrued Liability | Market Value of Trust Assets | Unfunded Liability |
|--|-------------------|------------------------------|--------------------|
| Public Employees Retirement Fund (PERS)                        | \$124,924         | \$84,292                     | \$(40,632)         |
| State Teachers' Retirement Fund Defined Benefit Program (STRS) | 359,741           | 299,148                      | (60,593)           |

<sup>(1)</sup> Amounts may not add due to rounding.

Source: *PERS State & Schools Actuarial Valuation*; *STRS Defined Benefit Program Actuarial Valuation*.

Unlike PERS, STRS contribution rates for participant employers, Classic Members and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS PEPRA Members will vary from year-to-year based on actuarial valuations. See “ – California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been less than actuarially required amounts. As a result, and due in part to investment losses, STRS continues to maintain an unfunded liability. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. 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 Employee’s 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 to 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 (currently 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 and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

The District’s proportionate shares of the net pension liability of PERS and STRS, as of June 30, 2024, were as shown in the following table.

| Pension Plan | Proportionate Share of<br>Net Pension Liability |
|--------------|---|
| PERS         | \$ 9,127,633                                    |
| STRS         | <u>12,562,387</u>                               |
| Total        | \$21,690,020                                    |

Source: *The District.*

For further information about the District’s contributions to PERS and STRS, see Note 15 in the District’s audited financial statement for fiscal year ended June 30, 2024 attached hereto as APPENDIX D.

School districts’ retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District’s contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments.

### **Other Post-Employment Benefits**

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which the District implemented in fiscal year 2017-18.



Employees who are eligible to receive retiree employment benefits other than pensions (“Health & Welfare Benefits”) while in retirement must meet specific criteria, *i.e.*, age and years with the District. At June 30, 2024, 27 retirees met these qualifications with 217 active employees earning service credit towards eligibility.

The following table shows the changes in the District’s net Health and Welfare Benefits as of June 30, 2024.

**Paradise Unified School District  
Total June 30, 2024 OPEB Liability**

|  |                  |
|--|------------------|
| Service Cost                                       | \$ 213,132       |
| Interest on Total OPEB Liability                   | 143,923          |
| Differences Between Expected and Actual Experience | \$1,418,042      |
| Changes of Assumptions                             | (238,188)        |
| Benefits Payments                                  | <u>(405,005)</u> |
| Net Change in Total OPEB Liability                 | 1,131,904        |
| Total OPEB Liability - Beginning                   | 4,039,037        |
| Total OPEB Liability - Ending                      | \$5,170,941      |

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Source: *The District*.

Expenditures for post-employment healthcare benefits are recognized on a pay-as-you-go basis. As of June 30, 2024, the District had not set aside any amounts in an irrevocable trust in order to fund its Health & Welfare Benefits.

Expenditures for post-employment healthcare benefits are recognized each pay period at a rate that approximates the amount of premiums paid. The District has completed an actuarial study of its Health and Welfare Benefits based on an actuarial valuation of the health and welfare benefit plans of the District as of June 30, 2024. Based on that study, the District’s total Health and Welfare Benefits liability as of June 30, 2024 was \$5,170,941. During fiscal year 2023-24, the District’s Health and Welfare Benefits contributions totaled \$405,005, all of which was used for current premiums.

### **Risk Management and Joint Powers Agencies**

The District participates in joint powers agreements with the following joint powers authorities (JPAs): Butte Schools Self-Funded Programs (BSSP), North Valley Schools Insurance Group (NVSIG), and Bay Area Schools Insurance Cooperative (BASIC). Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District’s representation on the governing boards. The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes. See also APPENDIX D – “PARADISE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2024 – Note 12” hereto.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker’s compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

## **Charter Schools**

The State Legislature enacted the Charter Schools Act of 1992 (State Education Code Sections 47600-47663) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State's charter school law states that local boards are the primary charter-approving agency and that county boards of education can approve a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are 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 any independent and District-operated charter schools established within its boundaries. However, any independent charter schools would receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Any District-operated charter schools would receive funding through the District, and such funding would be reflected in the District's audited financial statements.

The Board has approved four charter schools to operate within the District: Achieve Charter School of Paradise, Inc., Children's Community Charter, Hometech Charter, and Paradise Charter Middle School. Currently the in-District enrollment at charter schools within the district is 650 students.

## **DISTRICT FINANCIAL INFORMATION**

### **District Investments**

The Butte County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool. The Treasurer retains the authority to amend the Investment Policy, which governs investments in the Treasury Pool at any time in order to carry out the duties as chief investment officer for the County, subject to approval by the Board of Supervisors. The Treasurer will annually prepare an Investment Policy which will be submitted to the Board of Supervisors for review and approval.

### **Financial Statements of the District**

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District's audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 6696 Clark Road, Paradise, California 95969. The District may impose a charge for copying, mailing and handling.

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. See "DISTRICT FINANCIAL INFORMATION – General Fund" for more information regarding the District's financial statements for recent fiscal years.

Funds used by the District are categorized as government funds and fiduciary funds. The general fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Assistant Superintendent, Business Services for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ending June 30, 2024 are attached as APPENDIX D hereto.

## **District Budgets**

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous 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.

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

California Assembly Bill 1200 (“AB 1200”), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents’ offices and establishing guidelines for emergency State aid apportionments. Many provisions affect the District’s operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. 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 fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections.

The District has filed positive certifications for each of the reporting periods in the last five fiscal years except for the first and second interim reports for fiscal year 2019-20, which it filed with qualified certifications. The qualified certifications were due to uncertainty related to future enrollment and funding, projected unrestricted deficit spending, and future extraordinary costs. A significant portion of the deficit spending was reduced through March 15, 2021 layoffs and cost reductions for fiscal year 2020-21.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from ad valorem taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent, may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the Superintendent of Public Instruction and the president of the State board or the president’s designee will appoint a trustee at the direction of the county superintendent to serve the school district until it has adequate fiscal systems and controls in place. In connection with appointing such a trustee, some or all of the legislative powers of the governing board of such a school district can be suspended until the district achieves fiscal stability.

**General Fund Budget.** The District’s general fund adopted budgets for fiscal years 2020-21 through 2024-25, audited actuals for the fiscal years 2020-21 through 2023-24, and the Second Interim Report for fiscal year 2024-25, are set forth on the following page.

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**PARADISE UNIFIED SCHOOL DISTRICT  
GENERAL FUND**

|   | Adopted<br>Budget<br>2020-21 <sup>(1)</sup> | Audited<br>Actuals<br>2020-21 <sup>(2)</sup> | Adopted<br>Budget<br>2021-22 <sup>(1)</sup> | Audited<br>Actuals<br>2021-22 <sup>(2)</sup> | Adopted<br>Budget<br>2022-23 <sup>(1)</sup> | Audited<br>Actuals<br>2022-23 <sup>(2)</sup> | Adopted<br>Budget<br>2023-24 <sup>(2)</sup> | Audited<br>Actuals<br>2023-24 <sup>(2)</sup> | Adopted<br>Budget<br>2024-25 <sup>(1)</sup> | Second<br>Interim<br>2024-25 <sup>(3)</sup> |
|---|---|--|---|--|---|--|---|--|---|---|
| <b>REVENUES</b>   |   |  |   |  |   |  |   |  |   |   |
| LCFF Sources  | \$17,460,175                                | \$19,160,373                                 | \$18,334,063                                | \$18,486,904                                 | \$16,823,611                                | \$19,944,694                                 | \$20,988,314                                | \$21,751,068                                 | \$23,526,422                                | \$23,458,413                                |
| Federal   | 1,995,997                                   | 7,219,895                                    | 13,488,675                                  | 8,636,584                                    | 6,453,419                                   | 6,413,707                                    | 4,632,322                                   | 6,582,533                                    | 2,949,088                                   | 4,209,619                                   |
| Other State   | 19,237,749 <sup>(4)</sup>                   | 20,096,986 <sup>(4)</sup>                    | 5,709,974                                   | 12,327,446                                   | 3,369,457                                   | 8,497,333                                    | 3,785,137                                   | 5,129,192                                    | 3,774,881                                   | 2,440,949                                   |
| Other Local   | <u>869,660</u>                              | <u>2,432,715</u>                             | <u>1,603,830</u>                            | <u>561,066</u>                               | <u>1,923,919</u>                            | <u>3,816,659</u>                             | <u>2,395,889</u>                            | <u>4,566,567</u>                             | <u>3,580,794</u>                            | <u>4,247,616</u>                            |
| <b>Total Revenues</b>   | 39,563,581                                  | 48,909,969                                   | 39,136,542                                  | 40,012,000                                   | 28,570,406                                  | 38,672,393                                   | 31,801,662                                  | 38,029,360                                   | 33,831,185                                  | 34,356,597                                  |
| <b>EXPENDITURES</b>   |   |  |   |  |   |  |   |  |   |   |
| Certificated Salaries   | 9,338,081                                   | 10,414,751                                   | 11,801,312                                  | 10,151,494                                   | 9,659,509                                   | 10,721,772                                   | 10,334,111                                  | 11,912,049                                   | 11,000,725                                  | 12,900,745                                  |
| Classified Salaries   | 4,149,618                                   | 3,917,397                                    | 4,390,583                                   | 4,212,858                                    | 4,158,250                                   | 4,297,330                                    | 4,167,532                                   | 5,078,474                                    | 4,924,553                                   | 5,822,007                                   |
| Employee Benefits   | 8,341,096                                   | 7,579,012                                    | 8,347,762                                   | 7,364,275                                    | 8,056,178                                   | 7,917,658                                    | 7,775,111                                   | 8,209,631                                    | 8,072,270                                   | 8,818,268                                   |
| Books and Supplies  | 2,632,633                                   | 4,560,287                                    | 4,215,568                                   | 2,352,753                                    | 3,560,708                                   | 2,505,345                                    | 3,987,570                                   | 2,566,026                                    | 3,679,256                                   | 3,875,428                                   |
| Services, Other Operating Expenses  | 3,970,613                                   | 3,395,554                                    | 5,576,134                                   | 4,581,148                                    | 4,070,974                                   | 5,783,012                                    | 4,619,472                                   | 7,866,550                                    | 6,246,378                                   | 3,141,176                                   |
| Capital Outlay  | 329,792                                     | 592,238                                      | 5,847,334                                   | 6,554,118                                    | 700,000                                     | 920,754                                      | 420,313                                     | 985,797                                      | 464,316                                     | 2,147,282                                   |
| Other Outgo   | 261,489                                     | 368,132                                      | 435,371                                     | 631,521                                      | 944,969                                     | 502,574                                      | 792,160                                     | 651,064                                      | 773,721                                     | 935,191                                     |
| Transfers of Indirect costs   | <u>--</u>                                   | <u>--</u>                                    | <u>--</u>                                   | <u>--</u>                                    | <u>(65,900)</u>                             | <u>--</u>                                    | <u>(65,900)</u>                             | <u>--</u>                                    | <u>(75,000)</u>                             | <u>(41,000)</u>                             |
| <b>Total Expenditures</b>   | 29,023,322                                  | 30,827,371                                   | 40,614,064                                  | 35,848,167                                   | 31,150,588                                  | 32,568,946                                   | 32,020,369                                  | 37,269,591                                   | 35,086,219                                  | 40,599,097                                  |
| Excess (Deficiency) of Revenues Over Expenditures   | 10,540,259                                  | 18,082,598                                   | (1,477,522)                                 | 4,163,833                                    | (2,580,182)                                 | 6,103,447                                    | (218,707)                                   | 759,769                                      | (1,255,034)                                 | (6,242,500)                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>   |   |  |   |  |   |  |   |  |   |   |
| Interfund Transfers in  | --  | 370,000                                      | --  | --   | --  | --   | --  | --   | --  | --  |
| Interfund transfers out   | <u>--</u>                                   | <u>(2,346,000)</u>                           | <u>--</u>                                   | <u>(172,191)</u>                             | <u>--</u>                                   | <u>(20,965,486)</u>                          | <u>--</u>                                   | <u>--</u>                                    | <u>--</u>                                   | <u>(5,500,000)<sup>5</sup></u>              |
| <b>Total Other Financing Sources and Uses</b>   | --  | (1,976,000)                                  | --  | (172,191)                                    | --  | 20,965,486                                   | --  | --   | --  | (5,500,000)                                 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources | 10,540,259                                  | 16,106,598                                   | (1,477,522)                                 | 3,991,642                                    | (2,580,182)                                 | (14,862,039)                                 | (218,707)                                   | 759,769                                      | (1,255,034)                                 | (11,742,500)                                |
| <b>Beginning Fund Balance</b>   | 25,045,862                                  | 25,045,862                                   | 34,580,045                                  | 41,152,460                                   | 39,674,938                                  | 45,144,102                                   | 23,846,658                                  | 30,282,063                                   | 26,791,003                                  | 30,583,117                                  |
| <b>Ending Fund Balance</b>  | \$35,586,121                                | \$41,152,460                                 | \$33,102,523                                | \$45,144,102                                 | \$37,094,821                                | \$30,282,063                                 | \$23,627,951                                | \$31,041,832                                 | \$25,535,969                                | \$3,239,089                                 |

<sup>(1)</sup> From the adopted budgets of the District for the stated fiscal year.

<sup>(2)</sup> From the audited financial statements of the District for the stated fiscal year.

<sup>(3)</sup> From the Second Interim Budget Report for the stated fiscal year.

<sup>(4)</sup> Hold harmless funding received due to the loss of ADA from the Camp fire was reported as Other State revenue.

<sup>(5)</sup> \$5,500,000 has been transferred to a capital facilities fund and set aside to pay interest on the Certificates.

Source: *The District*.

**PARADISE UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures and Change in Fund Balances**  
**for Fiscal Years 2020-21 through 2023-24**

|  | 2020-21<br>Audit   | 2021-22<br>Audit | 2022-23<br>Audit    | 2023-24<br>Audit |
|--|--------------------|------------------|---------------------|------------------|
| <b>REVENUES</b>                                      |                    |                  |                     |                  |
| LCFF Sources   | \$19,160,373       | \$18,486,904     | \$19,944,694        | \$21,751,068     |
| Federal Revenues                                     | 7,219,895          | 12,327,446       | 6,413,707           | 6,582,533        |
| Other State Revenues                                 | 20,096,986         | 8,636,584        | 8,497,333           | 5,129,192        |
| Other Local Revenues                                 | <u>2,432,715</u>   | <u>561,066</u>   | <u>3,816,659</u>    | <u>4,566,567</u> |
| <b>TOTAL REVENUES</b>                                | 48,909,969         | 40,012,000       | 38,672,393          | 38,029,360       |
| <b>EXPENDITURES</b>                                  |                    |                  |                     |                  |
| Instruction  | 19,788,170         | 17,307,372       | 19,699,707          | 21,424,521       |
| Instruction-Related Services                         | 2,180,722          | 3,209,641        | 2,603,632           | 2,936,500        |
| Pupil Services                                       | 2,031,854          | 2,057,635        | 2,000,566           | 4,052,514        |
| Ancillary Services                                   | 263,001            | 232,734          | 347,106             | 397,524          |
| General Administration                               | 2,984,834          | 2,996,728        | 3,004,593           | 3,577,963        |
| Plant Services                                       | 2,715,908          | 2,932,107        | 3,446,484           | 3,418,057        |
| Other Outgo  | 412,440            | 631,521          | --                  | --               |
| Capital Outlay                                       | <u>450,442</u>     | <u>6,429,477</u> | <u>920,754</u>      | <u>770,171</u>   |
| <b>TOTAL EXPENDITURES</b>                            | 30,827,371         | 35,848,167       | 32,568,946          | 37,269,591       |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 18,082,598         | 4,163,833        | 6,103,447           | 759,769          |
| <b>OTHER FINANCING SOURCES/USES</b>                  |                    |                  |                     |                  |
| Transfers In   | 370,000            | --               | --                  | --               |
| Transfers Out  | <u>(2,346,000)</u> | <u>(172,191)</u> | <u>(20,965,486)</u> | <u>--</u>        |
| <b>TOTAL OTHER FINANCING<br/>SOURCES/USES</b>        | (1,976,000)        | (172,191)        | (20,965,486)        | --               |
| <b>NET CHANGE IN FUND BALANCE</b>                    | 16,106,598         | 3,991,642        | (14,862,039)        | 759,769          |
| Fund Balance at Beginning of Year                    | 25,045,862         | 41,152,460       | 45,144,102          | 30,282,063       |
| Fund Balance at End of Year                          | \$41,152,460       | \$45,144,102     | \$30,282,063        | \$31,041,832     |

Source: *The District.*

## State Funding of Education

**Local Control Funding Formula.** State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”), enacted as a part of the 2013-14 State budget, enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See “– Revenue Limit Funding System” below. The LCFF distributes resources to school districts through a guaranteed base funding grant (the “Base Grant”) per unit of ADA. The average Base Grant per unit of ADA under the LCFF is more than the average revenue limit under the prior funding system. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2024-25, the LCFF provides to school districts and charter schools a Target Base Grant for each Local Education Agency (“LEA”) equivalent to (a) \$11,068 per ADA for transitional kindergarten/kindergarten through grade 3; (b) \$10,177 per ADA for grades 4 through 6; (c) \$10,478 per ADA for grades 7 and 8; and (d) \$12,460 per ADA for grades 9 through 12. For fiscal year 2024-25, the LCFF also provides an adjusted add-on for Transitional Kindergarten (“TK”) equal to \$3,077.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of a cost-of-living-adjustment (“COLA”) is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2023-24, a 8.22% COLA was included, however, the COLA for fiscal year 2024-25 is significantly lower, at 1.07%. See “– State Budget Measures “– 2024-25 State Budget” and “– Proposed 2025-26 State Budget” for information regarding the COLA for fiscal year 2024-25 and proposed for fiscal year 2025-26. 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.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless 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. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include TK to all four-year olds. This plan has been phased-in in cohorts of TK students over a four-year period, which will be complete in fiscal year 2025-26.

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 (“FRPM”) and are not discussed separately herein). 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 EL/LI student enrollment. School districts whose EL/LI student populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 65% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

## ADA and Enrollment

The following table sets forth the historical enrollment and ADA for fiscal years 2015-16 through 2023-24.

**PARADISE UNIFIED SCHOOL DISTRICT**  
**Historical ADA and Enrollment**  
**Fiscal Years 2015-16 through 2023-24**

| Fiscal Year | ADA                  | Enrollment           |
|-------------|----------------------|----------------------|
| 2015-16     | 3,217                | 3,465                |
| 2016-17     | 3,181                | 3,437                |
| 2017-18     | 3,216                | 3,439                |
| 2018-19     | 3,160                | 3,401                |
| 2019-20     | 1,601                | 1,723 <sup>(1)</sup> |
| 2020-21     | 1,601 <sup>(2)</sup> | 1,532                |
| 2021-22     | 1,384                | 1,489                |
| 2022-23     | 1,478                | 1,573                |
| 2023-24     | 1,503                | 1,652                |

<sup>(1)</sup> Decrease in enrollment in 2019-20 reflects students leaving the District after the Camp Fire.

<sup>(2)</sup> Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts are held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. See, "DISTRICT FINANCIAL INFORMATION – Effect of COVID -19 Response on California School Districts."

Source: *The District*.

## Enrollment Trends

Prior to the Camp Fire in November, 2018, the District had maintained steady enrollment for several years. As a result of the Camp Fire, District enrollment decreased to approximately 50% of pre-Camp Fire levels as displaced families relocated out of the District. Subsequent to the Camp Fire, enrollment in the District has been increasing at a rate of approximately 4% to 5% annually. The District has budgeted for such growth to continue over the next three years. The District's fiscal year 2024-25 enrollment is 1,732 students and the District projects that enrollment will increase by approximately 93 students in fiscal year 2025-26 and 77 students in fiscal year 2026-27, per its fiscal year 2024-25 Second Interim Report.

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The following table sets forth the budgeted ADA, enrollment, and the percentage of EL/LI enrollment for 2024-25, and as projected for fiscal years 2025-26 and 2026-27.

**PARADISE UNIFIED SCHOOL DISTRICT**  
**ADA, English Language/Low Income Enrollment**  
**Fiscal Years 2024-25 through 2025-26**

| Fiscal Year            | ADA    |        |        |        |           | Enrollment       |                       |
|------------------------|--------|--------|--------|--------|-----------|------------------|-----------------------|
|                        | TK-3   | 4-6    | 7-8    | 9-12   | Total ADA | Total Enrollment | % of EL/LI Enrollment |
| 2024-25 <sup>(1)</sup> | 516.48 | 343.02 | 169.22 | 570.44 | 1,599.16  | 1,732            | 68.70%                |
| 2025-26 <sup>(2)</sup> | 542.28 | 360.15 | 177.67 | 598.93 | 1,679.03  | 1,825            | 68.70                 |
| 2026-27 <sup>(2)</sup> | 563.92 | 374.52 | 184.76 | 622.83 | 1,746.03  | 1,916            | 68.70                 |

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

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

Source: *The District*.

Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts, other than certain charter school districts, were held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. Additionally, due to State-wide declining enrollment trends, additional hold harmless measures have been instituted to shelter school districts from large annual revenue losses. For fiscal year 2021-22, ADA for funding purposes was based on ADA in fiscal year 2019-20. The fiscal year 2022-23 budget for the State permits school districts, on an on-going basis, to use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures."

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, prior year, or an average of the three prior years' ADA, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable 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.

Certain school districts, known as "community-funded" districts (formerly, "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 qualify as community-funded and does not expect to become a community-funded district in future years.

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

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

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

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

## Revenue Sources

The District categorizes its general fund revenues into four sources: LCFF revenues, federal revenues, other state revenues and other local revenues. Each of these revenue sources is briefly described below.

***LCFF Sources.*** State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See “– State Funding of Education – Local Control Funding Formula” above.

***Federal Revenues.*** The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

However, the federal government has recently undertaken a review of its financial support for certain State programs and it is uncertain whether any moneys currently supporting public education in California will be withheld, and, if withheld, whether the loss of such revenues would have a material financial impact on the District or its programs

***Other State Revenues.*** The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

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

***Other Local Revenues.*** In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

The percentage of total general fund revenue for each source of revenue is shown in the following table for fiscal years 2020-21 through 2024-25.

**PARADISE UNIFIED SCHOOL DISTRICT**  
**Percentage of Revenue by Source**  
**Fiscal Years 2020-21 through 2024-25**

| Revenue Source       | 2020-21              | 2021-22 | 2022-23 | 2023-24 | 2024-25 <sup>(1)</sup> |
|----------------------|----------------------|---------|---------|---------|------------------------|
| LCFF sources         | 39.2% <sup>(2)</sup> | 46.2%   | 51.6%   | 57.2%   | 68.3%                  |
| Federal revenues     | 14.8                 | 21.6    | 16.6    | 17.3    | 12.3                   |
| Other State revenues | 41.1 <sup>(2)</sup>  | 30.8    | 22.0    | 13.5    | 7.1                    |
| Other local revenues | 4.9                  | 1.4     | 9.9     | 12.0    | 12.4                   |

<sup>(1)</sup> Budgeted, per the District’s fiscal year 2024-25 Second Interim Report.

<sup>(2)</sup> Amounts received as hold harmless funding for ADA losses after the Camp Fire are reported as Other State Revenues rather than LCFF revenue.

Source: *The District*.

**Developer Fees.** The District collects impact fees (“Developer Fees”) pursuant to Education Code Section 17620 on residential housing in the amount of \$5.17 per square foot and on commercial and industrial development in the amount of \$0.84 per square foot. The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District.

The following table sets forth developer fee collections by the District for the last five fiscal years and the projected developer fee collections for the current fiscal year.

**PARADISE UNIFIED SCHOOL DISTRICT  
Developer Fee Collections**

| Fiscal Year            | Developer Fees Collected |
|------------------------|--------------------------|
| 2020-21                | \$262,062                |
| 2021-22                | 275,064                  |
| 2022-23                | 225,081                  |
| 2023-24                | 253,769                  |
| 2024-25 <sup>(1)</sup> | 209,966                  |

<sup>(1)</sup> Estimated, based on First Interim Report.  
Source: *The District*.

**DISTRICT DEBT STRUCTURE**

**Long-Term Debt**

A schedule of the District’s changes in long-term debt for the year ended June 30, 2024 is shown below:

|                                | Balance<br>July 1, 2023 | Additions        | Deductions | Balance<br>June 30, 2024 | Balance Due<br>In One Year |
|--------------------------------|-------------------------|------------------|------------|--------------------------|----------------------------|
| <u>Governmental Activities</u> |                         |                  |            |                          |                            |
| Compensated Absences           | \$ 156,891              | --               | \$ 10,746  | \$ 146,145               | --                         |
| General Obligation Bonds       | 29,500,000              | --               | 800,000    | 28,700,000               | \$ 750,000                 |
| Bond Issuance Premiums         | 2,462,760               | --               | 160,643    | 2,302,117                | 142,487                    |
| Total OPEB Liability           | 4,039,037               | \$1,131,904      | --         | 5,170,941                | --                         |
| Net Pension Liability          | <u>20,526,975</u>       | <u>1,063,045</u> | <u>--</u>  | <u>21,690,020</u>        | <u>--</u>                  |
| Totals                         | \$56,785,663            | \$2,194,949      | \$971,389  | \$58,009,223             | \$ 892,487                 |

Source: *The District*.

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**General Obligation Bonds.** The District received authorization at an election held on November 6, 2018 by 55% or more of the votes cast by eligible voters within the District to issue \$61,000,000 principal amount of general obligation bonds (the “Authorization”). On February 3, 2021, the District issued its \$10,000,000 General Obligation Bonds, 2018 Election, 2021 Series A Bonds, on March 31, 2022, the District issued its \$10,000,000 General Obligation Bonds, 2018 Election, 2022 Series B Bonds, on January 10, 2023, the District issued its \$10,000,000 General Obligation Bonds, 2018 Election, 2023 Series C and on September 5, 2024 the District issued its \$3,200,000 General Obligation Bonds, 2018 Election, 2024 Series D under the Authorization. \$27,800,000 aggregate principal amount of general obligations bonds remain for issuance under the Authorization.

**Short-term Debt.** The District has no short-term debt outstanding and does not intend to issue any tax and revenue anticipation notes or other short-term debt in fiscal year 2024-25.

## PROPERTY WITHIN THE DISTRICT

*The information provided in the tables below has been provided by California Municipal Statistics, Inc., an independent consulting firm. The District has not independently verified this information and does not guarantee its accuracy.*

The information in this section describes property taxation, assessed valuation, and other measures of the tax base of the District. Though the Certificates are not payable directly from property taxes, a large portion of the District’s funding under the LCFF is derived from property taxes.

### Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES” herein.

A State-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

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

## Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use for fiscal year 2024-25.

### PARADISE UNIFIED SCHOOL DISTRICT 2024-25 Assessed Valuation and Parcels by Land Use

|                                 | 2024-25<br>Assessed Valuation <sup>(1)</sup> | % of<br>Total  | No. of<br>Parcels | % of<br>Total  |
|---------------------------------|--|----------------|-------------------|----------------|
| <b>Non-Residential:</b>         |  |                |                   |                |
| Agricultural/Timber             | \$ 10,800,037                                | 0.39%          | 240               | 1.23%          |
| Commercial                      | 258,641,491                                  | 9.44           | 694               | 3.55           |
| Vacant Commercial               | 9,934,335                                    | 0.36           | 155               | 0.79           |
| Industrial                      | 5,573,108                                    | 0.20           | 14                | 0.07           |
| Vacant Industrial               | 372,041                                      | 0.01           | 4                 | 0.02           |
| Recreational                    | 2,220,617                                    | 0.08           | 21                | 0.11           |
| Government/Social/Institutional | 5,137,788                                    | 0.19           | 40                | 0.20           |
| Miscellaneous                   | <u>597,673</u>                               | <u>0.02</u>    | <u>12</u>         | <u>0.06</u>    |
| Subtotal Non-Residential        | \$293,277,090                                | 10.71%         | 1,180             | 6.03%          |
| <b>Residential:</b>             |  |                |                   |                |
| Single Family Residence         | \$1,550,336,566                              | 56.61%         | 5,223             | 26.69%         |
| Condominium                     | 14,645,982                                   | 0.53           | 90                | 0.46           |
| Mobile Home                     | 402,282,686                                  | 14.69          | 3,295             | 16.84          |
| Mobile Home Park                | 7,301,566                                    | 0.27           | 7                 | 0.04           |
| 2-4 Residential Units           | 67,944,532                                   | 2.48           | 54                | 0.28           |
| 5+ Residential Units/Apartments | 38,752,760                                   | 1.41           | 30                | 0.15           |
| Vacant Residential              | <u>364,306,954</u>                           | <u>13.30</u>   | <u>9,691</u>      | <u>49.52</u>   |
| Subtotal Residential            | \$2,445,571,046                              | 89.29%         | 18,390            | 93.97%         |
| <b>Total</b>                    | <b>\$2,738,848,136</b>                       | <b>100.00%</b> | <b>19,570</b>     | <b>100.00%</b> |

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

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## Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2024-25.

### PARADISE UNIFIED SCHOOL DISTRICT 2024-25 Largest Total Secured Taxpayers

|     | <u>Property Owner</u>                 | <u>Primary Land Use</u> | <u>2024-25<br/>Assessed Valuation</u> | <u>% of<br/>Total<sup>(1)</sup></u> |
|-----|---------------------------------------|-------------------------|---------------------------------------|-------------------------------------|
| 1.  | Feather River Hospital                | Medical Facilities      | \$ 51,380,158 <sup>(2)</sup>          | 1.88%                               |
| 2.  | Sierra Pacific Industries             | Timber                  | 8,140,065                             | 0.30                                |
| 3.  | Camino Properties LLC                 | Apartments              | 7,206,311                             | 0.26                                |
| 4.  | Marjama Family Partners LP            | Apartments              | 6,436,804                             | 0.24                                |
| 5.  | Auburn Storage LLC                    | Shopping Center         | 6,023,916                             | 0.22                                |
| 6.  | Andersons Brothers Corp               | Apartments              | 5,870,452                             | 0.21                                |
| 7.  | Parkwest LP                           | Public Storage          | 5,311,270                             | 0.19                                |
| 8.  | Daniel R. Kennedy                     | Public Storage          | 5,009,525                             | 0.18                                |
| 9.  | Ethan Conrad                          | Shopping Center         | 4,935,500                             | 0.18                                |
| 10. | Riverdale Park Associates             | Shopping Center         | 4,507,167                             | 0.16                                |
| 11. | Shadowbrook Villa LLC                 | Apartments              | 4,423,068                             | 0.16                                |
| 12. | Del Oro Water Company                 | Water Company           | 4,164,158                             | 0.15                                |
| 13. | Paradise Boutique Apartments No 1 LLC | Apartments              | 4,161,600                             | 0.15                                |
| 14. | Thrifty Payless Inc., Lessee          | Shopping Center         | 4,117,614                             | 0.15                                |
| 15. | Hypower Inc.                          | Power Generation        | 4,115,722                             | 0.15                                |
| 16. | Northgate Real Estate LLC             | Hotel                   | 4,079,683                             | 0.15                                |
| 17. | Juan Rex Cole, III                    | Commercial Building     | 3,882,243                             | 0.14                                |
| 18. | Anderson Family Trust                 | Residential Properties  | 3,838,473                             | 0.14                                |
| 19. | M.C. Horning, Jr.                     | Office Park             | 3,663,418                             | 0.13                                |
| 20. | STP Capital                           | Residential Properties  | <u>3,597,689</u>                      | <u>0.13</u>                         |
|     |                                       |                         | \$144,864,836                         | 5.29%                               |

<sup>(1)</sup> 2024-25 Local Secured Assessed Valuation: \$2,738,848,136

<sup>(2)</sup> Net Taxable Assessed Valuation after property tax exemptions.

Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2024-25 account for 5.29% of the secured assessed value in the District which is \$2,738,848,136. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2024-25 was Feather River Hospital, accounting for 1.88% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.30% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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## Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 5-001 by the County within the District for fiscal years 2020-21 through 2024-25:

**PARADISE UNIFIED SCHOOL DISTRICT**  
**Typical Tax Rate per \$100 Assessed Valuation**  
(TRA 5-001)<sup>(1)</sup>

|                     | 2020-21         | 2021-22         | 2022-23         | 2023-24         | 2024-25         |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Tax Rate    | 1.000000%       | 1.000000%       | 1.000000%       | 1.000000%       | 1.000000%       |
| <b>Paradise USD</b> | --              | 0.051965        | 0.051882        | 0.049628        | 0.031781        |
| Butte-Glenn CCD     | <u>0.041353</u> | <u>0.033120</u> | <u>0.035529</u> | <u>0.036930</u> | <u>0.033844</u> |
| Total               | 1.041353%       | 1.085085%       | 1.087411%       | 1.086558%       | 1.065625%       |

<sup>(1)</sup> 2024-25 assessed valuation of TRA 5-001 is \$1,550,267,989 which is 55.51% of the District's total assessed valuation.  
Source: California Municipal Statistics, Inc.

## The Teeter Plan

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

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied on the secured roll with respect to the Certificates irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District’s share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted



by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

### Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt, dated March 1, 2025, for debt outstanding as of March 1, 2025:

#### PARADISE UNIFIED SCHOOL DISTRICT Direct and Overlapping Bonded Indebtedness

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>                               | <u>% Applicable</u> | <u>Debt 3/1/25</u>                     |
|--|---------------------|--|
| Butte-Glenn Community College District   | 8.549%              | \$13,166,578                           |
| <b>Paradise Unified School District</b>  | <b>100.000</b>      | <b><u>31,150,000</u><sup>(1)</sup></b> |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT                                 |                     | \$44,316,578                           |
| <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>                                     |                     |  |
| Butte County Certificates of Participation   | 9.780%              | \$2,111,365                            |
| Butte County Pension Obligation Bonds  | 9.780               | 2,727,153                              |
| City of Paradise Pension Obligation Bonds  | 100.000             | <u>2,622,128</u>                       |
| TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT                                       |                     | \$7,460,646                            |
| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>                            | 100.000 %           | \$5,105,000                            |
| COMBINED TOTAL DEBT  |                     | \$56,882,224 <sup>(2)</sup>            |
| <u>Ratios to 2024-25 Assessed Valuation:</u>   |                     |  |
| <b>Direct Debt (\$31,150,000) .....</b>  | <b>1.12%</b>        |  |
| Total Direct and Overlapping Tax and Assessment Debt .....                           | 1.59%               |  |
| Combined Total Debt.....   | 2.04%               |  |
| <u>Ratio to Redevelopment Successor Agency Incremental Valuation (\$24,869,324):</u> |                     |  |
| Overlapping Tax Increment Debt .....   | 20.53%              |  |

<sup>(1)</sup> Excludes the Certificates to be sold.

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

Source: *California Municipal Statistics, Inc.*

## BUTTE COUNTY POOLED INVESTMENT FUND

The following information concerning the Butte County Pooled Investment Fund has been provided by the Treasurer and has not been confirmed or verified by the District. No representation is made herein 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.

Under California law, the District is required to pay all monies received from any source into the Butte County Treasury to be held on behalf of the District. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Pooled Investment Fund are made by the Treasurer and his deputies in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, *et seq.*, which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant. See APPENDIX F hereto for the Butte County Investment Policy Statement.

### BUTTE COUNTY POOLED INVESTMENT FUND REPORT FOR THE QUARTER ENDED DECEMBER 31, 2024

| Fund Name:                    | Face<br>Amount/Share  | Market Value          | Book Value            | % of<br>Portfolio | YTM<br>@<br>Cost | Days to<br>Maturity |
|-------------------------------|-----------------------|-----------------------|-----------------------|-------------------|------------------|---------------------|
| Camp Short Term               | \$43,335,700.24       | \$43,335,700.24       | \$43,335,700.24       | 2.75              | 4.73             | 1                   |
| CAMP TERM                     | 40,000,000.00         | 40,000,000.00         | 40,000,000.00         | 2.54              | 5.19             | 98                  |
| Corporate -<br>Supranationals | 210,190,000.00        | 204,346,439.53        | 206,224,979.44        | 13.11             | 3.70             | 1,058               |
| Corporate Notes               | 200,033,000.00        | 194,115,784.65        | 194,866,017.54        | 12.38             | 3.63             | 814                 |
| LAIF                          | 87,244,407.29         | 87,244,407.29         | 87,244,407.29         | 5.54              | 4.43             | 1                   |
| LAIF – School Bonds           | 60,429,871.65         | 60,429,871.65         | 60,429,871.65         | 3.84              | 4.43             | 1                   |
| Municipal Bonds               | 197,715,000.00        | 189,648,137.45        | 191,304,479.17        | 12.16             | 3.19             | 873                 |
| Operating Accounts            | 51,325,027.28         | 51,325,027.28         | 51,325,027.28         | 3.26              | 0.00             | 1                   |
| US Agency                     | 435,500,000.00        | 425,882,533.16        | 431,452,918.07        | 27.42             | 3.03             | 795                 |
| US Treasury                   | <u>271,250,000.00</u> | <u>266,322,055.58</u> | <u>267,255,840.77</u> | <u>16.99</u>      | <u>4.03</u>      | <u>640</u>          |
| Total/ Average                | \$1,595,023,006.46    | \$1,562,649,956.83    | \$1,573,439,241.45    | 100               | 3.52             | 675                 |

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Source: *County Treasurer.*

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The District has not made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current County Investment Policy. The value of the various investments in the Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pooled Investment Fund will not vary significantly from the values described therein.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES**

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

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. 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. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District.

Article XIII A requires a vote of two-thirds 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*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on 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. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

***Property Tax Base Transfer Constitutional Amendment.*** On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment. Proposition 19: (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been

impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

### **Legislation Implementing Article XIII A**

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

### **Unitary Property**

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

The California electric utility industry has been undergoing 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. Because the District is not a basic aid 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” herein.

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

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

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

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

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of

provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIIC 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 and community college 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 XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC 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 XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

## **Proposition 98**

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

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

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

## **Proposition 111**

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 (“Proposition 111”), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the

balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

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

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

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendment 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 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 California Constitution previously limited property taxes to 1% of the value of property, and 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 buy or improve real property that receive two-thirds voter approval after July 1, 1978.



The 55% vote requirement 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 per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

### **Jarvis v. Connell**

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

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

On November 2, 2004, California 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 expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. 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), 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 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 such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its property tax apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

### **Proposition 30**

On November 6, 2012, voters 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. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019,

Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98” and “— Proposition 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases were 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 were and will be allocated quarterly, with 89% of such funds provided to schools 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 boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

### **Proposition 55**

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired in the end of 2016.

### **Proposition 51**

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) was a voter initiative that was approved by voters in the State 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 (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 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 that it will either pursue or qualify for Proposition 51 State facilities funding.

## **Proposition 2**

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 (“Proposition 2”), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account (“BSA”). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

***Public School System Stabilization Account.*** In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the State’s Public School System Stabilization Account (the “PSSSA”) which serves as a reserve account for school funding in years when the State budget is smaller. See “STATE OF CALIFORNIA FISCAL ISSUES – State Budget Measures – 2024-25 State Budget and ” below for information regarding the deposit of funds to the PSSSA in fiscal year 2024-25.

***SB 858 and SB 751.*** State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district’s ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state’s minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district’s ending fund balances if a certain amount of funds is available in the PSSSA. In a fiscal year in which the amount of moneys in the

PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98”), a school district’s adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3.0% of general fund expenditures and other financing uses. On June 30, 2024, the District had available reserves of \$1,128,590, or 3% of general fund expenditures and other financing uses. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District’s current policies on reserves.

**Proposition 28.** On November 8, 2022, voters approved The Arts and Music in Schools- Funding Guarantee and Accountability Act which provides additional funding for arts and music education in all K–12 public schools (including charter schools) by annually allocating from the State general fund an amount equal to 1% of total State and local revenues received by public schools in the preceding fiscal year under Proposition 98. Amounts provided under Proposition 28 are in addition to and not considered a part of the Proposition 98 guarantee. Funds appropriated under Proposition 28 are to be allocated 70% based on a school district’s share of Statewide enrollment and 30% based on such school district’s share of Statewide enrollment of economically disadvantaged students and must be distributed to school sites following such allocation. School districts must expend funds received pursuant to Proposition 28 within three years or such funds revert to CDE for reallocation under Proposition 28.

As a condition to receipt of funds under Proposition 28, school districts must certify that funds are to be used for arts education and that funds received in the prior fiscal year were, in fact, used for those purposes. Additionally, no more than 1% of Proposition 28 funds may be used for administrative purposes in implementing Proposition 28 programs. Schools with 500 or more students must certify that at least 80% of the funding is to be used to employ teachers and that the remainder will be spent on training, supplies, and education partnerships. Amounts appropriated under Proposition 28 in a given year may be reduced if the State legislature suspends the Proposition 98 guarantee but only in an amount equal to the percent reduction of the Proposition 98 guarantee. See “STATE OF CALIFORNIA FISCAL ISSUES – State Budget Measures – Proposed 2023-24 State Budget” for information regarding Proposition 28 in the Proposed 2023-24 State Budget.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98, 111 and 28 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.

## STATE OF CALIFORNIA FISCAL ISSUES

### 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 guaranty the accuracy or completeness of this information and has not independently verified such information.*

**2024-25 State Budget.** The fiscal year 2024-25 budget for the State ("2024-25 State Budget") was passed by the State legislature on June 13, 2024. On June 26, 2024, the Governor signed Assembly Bill 107, the main budget bill approved by the legislature, and Senate Bill 154, the Proposition 98 suspension bill. Additionally, the Governor declared a fiscal emergency which allows the State to suspend the transfer of moneys to the BSA required by the State Constitution and return funds that have been transferred to the BSA to the general fund for use to address the budget emergency. On June 29, 2024, the Governor signed Senate Bill 153, the education omnibus trailer bill and Senate Bill 108, the "budget bill junior" to implement the final budget agreement between the legislature and the Governor.

The 2024-25 State Budget balances the budget in fiscal years 2024-25 and 2025-26. It also maintains \$22.2 billion in total reserves at the end of fiscal year 2024-25. The legislation addresses a \$46.8 billion shortfall through a balanced package of solutions, including spending reductions of \$16 billion. The 2024-25 State Budget projects approximately \$212.1 billion in general fund revenues with a prior year balance of \$13.4 billion for total resources of \$225.6 billion, and \$211.5 billion in expenditures for fiscal year 2024-25. For fiscal year 2023-24, the 2024-25 State Budget estimated \$236.5 billion in total resources and \$223.1 billion in expenditures. The 2024-25 State Budget provides total K-12 funding of \$133.8 billion (\$81.5 billion general fund and \$52.3 billion from other funds).

The 2024-25 State Budget reflects a total balance of \$8.4 billion in the PSSSA at the end of fiscal year 2022-23 and reflects the withdrawal of this balance in fiscal year 2023-24. The 2024-25 State Budget also reflects a roughly \$1.1 billion discretionary payment into the PSSSA in fiscal year 2024-25, resulting in a balance of \$1.1 billion. Since there is no ending balance in the account in fiscal year 2023-24 and a balance of \$1.1 billion in fiscal year 2024-25, school district reserve caps are not triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein for more information regarding school district reserves.

The State Legislature may suspend the Proposition 98 Guarantee under certain circumstances and create a maintenance factor to be paid in future fiscal years. The 2024-25 State Budget suspends the Proposition 98 Guarantee in fiscal year 2023-24 and projects the Proposition 98 Guarantee to be in Test 1 in fiscal year 2024-25 (equal to the percentage of General Fund appropriated for K-14 schools in fiscal year 1986-87). Suspending the Proposition 98 Guarantee is projected to create a maintenance factor obligation of approximately \$8.3 billion in fiscal year 2023-24 and is projected to result in a \$4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Proposition 98 Guarantee level. The 2024-25 State Budget re-benches the Test 1 percentage, from approximately 38.6% to approximately 39.2%, to increase the percentage of General Fund revenues obligated to the Proposition 98 Guarantee.

The 2024-25 State Budget reflects Proposition 98 funding levels of \$103.7 billion in fiscal year 2022-23, \$98.5 billion in fiscal year 2023-24, and \$115.3 billion in fiscal year 2024-25.

The LCFF under the 2024-25 State Budget receives a COLA of 1.07 %, and when combined with population growth adjustments, will result in an increase of approximately \$983 million over the 2023-24

State Budget under the LCFF. To fully fund the LCFF, the 2024-25 State Budget withdraws approximately \$5.3 billion from the PSSSA to support LCFF costs in fiscal year 2023-24 and uses available reappropriation and reversion funding of \$253.9 million to support ongoing LCFF costs in fiscal year 2024-25.

The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately \$3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately \$246 million. Additionally, the 2024-25 State Budget reflects approximately \$2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferred categorical amount being repaid using PSSSA resources.

Additional significant provisions of the 2024-25 State Budget relating to K-12 education include the following:

- *Instructional Continuity and Attendance Recovery* — Beginning in fiscal year 2025-26, school districts can add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the State Department of Education for funding purposes. Includes \$4 million Proposition 98 funds to research and develop models of hybrid and remote learning to support students' attendance.
- *Forgoing Planned Programs to Address Budget Shortfall* — Forgoes the following planned investments: \$875 million to support the School Facility Program, \$550 million to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program and \$500 million Proposition 98 funds in fiscal year 2024-25 to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission.
- *Teacher Professional Development and Preparation* — \$25 million one-time funds to train educators to administer literacy screenings of students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year.
- *State Preschool* — \$53.7 million funds to support reimbursement rate increases previously supported by available one-time federal stimulus funding and authorizes California State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027.
- *Transitional Kindergarten* — \$988.7 million Proposition 98 funds to support the second year (2023-24 school year) of expanded eligibility for transitional kindergarten, \$390.2 million Proposition 98 funds to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class, \$1.5 billion ongoing Proposition 98 funds to support the third year (2024-25 school year) of expanded eligibility for transitional kindergarten and \$515.5 million Proposition 98 funds to support the third year of adding one additional certificated or classified staff person to every transitional kindergarten class.
- *The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28)* — \$907.1 million to support the Proposition 28.
- *Categorical Program COLA* — \$89.2 million Proposition 98 funds to reflect a 1.07% COLA for specified categorical programs.

- *Nutrition* — \$179.4 million Proposition 98 General Fund and \$120.8 million Proposition 98 funds to fully fund the universal school meals program in fiscal years 2023-24 and 2024-25 (in addition to \$1.6 billion in base funding for the program).
- *Classified School Employee Summer Assistance Program* — \$9 million Proposition 98 funds for the Classified School Employee Summer Assistance Program, which provides supplemental pay for classified staff during intersessional months when not employed.
- *Curriculum-Embedded Performance Tasks for Science* — \$7 million Proposition 98 funds to support inquiry-based science instruction and assessment through the development of a bank of curriculum-embedded performance tasks.
- *California Teachers Collaborative for Holocaust and Genocide Education* — \$5 million Proposition 98 funds to support the California Teachers Collaborative for Holocaust and Genocide Education.
- *After School Education and Safety Programs* — \$5 million one-time funds for Save the Children, supporting after school programs in rural districts.
- *State Special Schools Infrastructure Support* — \$3.4 million, of which \$380,000 is ongoing, to replace critical servers, maintain warranty coverage for network infrastructure, and refresh laptops, tablets, and workstations for students and staff at the State Special Schools and Diagnostic Centers.
- *K-12 High Speed Network* — \$3.2 million Proposition 98 funds to support the K-12 High Speed Network program.
- *Student Friendly Services* — \$2.1 million Proposition 98 funds to support the California College Guidance Initiative.
- *Inclusive College Technical Assistance Center* — \$2 million Proposition 98 funds to establish a Technical Assistance Center.

***Proposed 2025-26 State Budget.*** The proposed budget for fiscal year 2025-26 for the State (“Proposed 2025-26 State Budget”) was released by the Governor on January 10, 2025. The Proposed 2025-26 State Budget recognizes a budget surplus of \$16.5 billion over fiscal years 2023-24, 2024-25, and 2025-26 above that projected in the 2024-25 State Budget. The budget surplus is due primarily to increased revenues from personal income taxes, corporate taxes, and interest on certain pooled money investments.

The Proposed 2025-26 State Budget projects approximately \$225.1 billion in general fund revenues with a prior year balance of \$26.3 billion for total resources of \$251.4 billion and \$228.9 billion in expenditures for fiscal year 2025-26. For fiscal year 2024-25, the Proposed 2025-26 State Budget estimates \$258.4 billion in resources and \$232.1 billion in expenditures.

The Proposed 2025-26 State Budget maintains the planned withdrawal of approximately \$7.1 billion from the BSA during fiscal year 2025-26 included in the 2024-25 State Budget. Accounting for withdrawals, the Proposed 2025-26 State Budget includes setting aside a total of \$17 billion, including \$10.9 billion in the BSA for fiscal emergencies, \$1.5 billion in the PSSSA, and an estimated \$4.5 billion in the State’s Special Fund for Economic Uncertainties. The balance of \$1.2 billion in fiscal year 2024-25 in the PSSSA does not trigger school district reserve caps in fiscal year 2025-26. To remove the



existing statutory cap on deposits to the Rainy Day Fund in order to provide budget resiliency, the Proposed 2025-26 State Budget proposes statutory changes to allow the State to increase the mandatory deposit level in the BSA from the current 10% to 20% of General Fund revenues and exempt deposits into the BSA from the State Appropriations Limit. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICTS – Proposition 2” herein for more information regarding school district reserves.

The Proposed 2025-26 State Budget includes total K-12 funding of \$137.1 billion (\$83.3 billion general fund and \$53.8 billion from other funds). K-12 per-pupil funding totals \$24,764 from all sources, including \$18,918 Proposition 98 funds. The Proposed 2025-26 State Budget includes an LCFF COLA of 2.43%.

Additional significant provisions of the Proposed 2025-26 State Budget relating to TK-12 education include the following:

- *Universal Transitional Kindergarten* — \$1.5 billion Proposition 98 funds to expand TK eligibility from children turning five years old between September 2 and April 2 to children turning five between September 2 and June 2; \$516.7 million Proposition 98 funds to add one additional certificated or classified staff person to every transitional kindergarten class; \$2.4 billion Proposition 98 funds to support full implementation of universal transitional kindergarten allowing children who turn four years old by September 1 of the school year to enroll in transitional kindergarten; and \$1.5 billion Proposition 98 funds to further lower the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom.
- *Expanded Learning Opportunities Program* — \$435 million Proposition 98 funds to increase access to the Expanded Learning Opportunities Program from school districts with an unduplicated pupil percentage of 75% to those with 55% percent unduplicated students.
- *Literacy Instruction* — \$500 million Proposition 98 funds for TK-12 Literacy and Mathematics Coaches; \$40 million Proposition 98 funds to support costs to administer literacy screenings; \$5 million Proposition 98 funds annually through the 2029-30 fiscal year to launch a Literacy Network within the Statewide System of Support; \$300,000 one-time non-Proposition 98 funds in fiscal year 2024-25 for the Instructional Quality Commission to develop a curriculum guide and resources in personal finance; and \$1.8 billion for the Student Support and Discretionary Block Grant.
- *Teacher Preparation and Professional Development* — \$150 million Proposition 98 funds to provide financial assistance for teacher candidates through the new Teacher Recruitment Incentive Grant Program and \$100 million Proposition 98 funds to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified teachers to teach and mentor instructional staff in high poverty schools.
- *Student Support and Professional Development Discretionary Block Grant* — \$1.8 billion Proposition 98 funds for: (i) professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap; (ii) professional development for teachers on the Mathematics Framework; (iii) teacher recruitment and retention strategies; and (iv) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.
- *Learning Recovery Emergency Block Grant* — \$378.6 million Proposition 98 funds to support the Learning Recovery Emergency Block Grant in establishing learning recovery initiatives through the 2027-28 school year.

- *Kitchen Infrastructure and Training* — \$150 million Proposition 98 funds for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- *Nutrition* — \$106.3 million in Proposition 98 funds to fully fund the universal school meals program in fiscal year 2025-26.
- *English Language Proficiency Screener for Transitional Kindergarten Students* — \$10 million Proposition 98 funds for the statewide use of English language proficiency screeners to support multilingual learnings in transitional kindergarten.
- *Master Plan for Career Education: TK-12 Education* — \$1.8 billion Student Support and Discretionary Block Grant for dual enrollment and pathways programs. Increase of \$3 million Proposition 98 General Fund to support the California College Guidance Initiative and the Cradle-to-Career Data System.

**Future Actions.** The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. No prediction can be made as to whether the State will, in the future, take further measures which would, in turn, adversely affect the District. Further State actions taken to address any budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions. The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot 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.

## CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 9 months following the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2024-25 fiscal year, which would be due on April 1, 2026, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Certificates. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

During the previous five years, the District has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

## TAX MATTERS

The delivery of the Certificates is subject to delivery of the opinion of Special Counsel, to the effect that interest represented by the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the “Code”), of the owners thereof pursuant to section 103 of the Code, (2) will not be included in computing alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals, and (3) will be taken into account in determining adjusted financial statement income for the alternative minimum tax imposed on certain corporations. The delivery of the Certificates is also subject to the delivery of the opinion of Special Counsel, based upon existing provisions of the laws of the State of California, that interest represented by the Certificates is exempt from personal income taxes of the State of California. The form of Special Counsel’s anticipated opinion respecting the Certificates is included in APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Special Counsel will rely upon the representations and certifications of the District made in a certificate (the “Tax Certificate”) of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the execution and delivery of the Certificates. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Certificates and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest represented by the Certificates to be includable in the gross income of the owners thereof from the date of the execution and delivery of the Certificates.

Except as described above, Special Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest represented by, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Special Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (“IRS” or the “Service”) or the State of California with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel’s opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures, the Service is likely to treat the District as the “taxpayer,” and the owners of the Certificates would have no right to

participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest represented by the Certificates, the District may have different or conflicting interests from the owners of the respective Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

### ***Tax Accounting Treatment of Discount and Premium on Certain of the Certificates***

The initial public offering price of certain of the Certificates (the “Discount Certificates”) may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Certificates. A portion of such original issue discount, allocable to the holding period of such Discount Certificate by the initial purchaser, will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder’s basis in the Discount Certificate, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under “TAX MATTERS.” Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Certificate taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Certificate, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the prepayment, sale or other taxable disposition of a Discount Certificate by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Certificate in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest represented by the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Certificates (the “Premium Certificates”), may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the

Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Certificates for federal income purposes and with respect to the state and local tax consequences of owning Premium Certificates.

***Form of Special Counsel Opinion.*** The form of the proposed opinion of Special Counsel relating to the Certificates is attached to this Official Statement as APPENDIX C.

### **CERTAIN LEGAL MATTERS**

Dannis Woliver Kelley, Long Beach, California, Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as APPENDIX C. Copies of such approving opinion will be available at the time of delivery of the Certificates. Certain matters will also be passed on for the District by Dannis Woliver Kelley, Long Beach, California, as Disclosure Counsel, and for the Corporation and the Trustee by their respective counsels. Dannis Woliver Kelley expresses no opinion to the Owners of the Certificates as to the accuracy, completeness or fairness of this Official Statement.

### **ABSENCE OF MATERIAL LITIGATION**

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

The District does have claims pending against it. The aggregate amount of the uninsured liabilities of the District which may result from all claims will not, in the opinion of the District, materially affect the District's finances or impair its ability to make Lease Payments under the Lease.

### **RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "BBB+" to the Certificates. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

## UNDERWRITING

Raymond James & Associates, Inc. (the “Underwriter”) has agreed to purchase the Certificates pursuant to the terms of a certificate purchase agreement by and between the District and the Underwriter (“Purchase Agreement”) at the purchase price of \$\_\_\_\_\_ (reflecting the principal amount of the Certificates plus original issue premium in the amount of \$\_\_\_\_\_ less an Underwriter’s discount of \$\_\_\_\_\_), at the rates and yields shown on the inside cover hereof.

The Purchase Agreement provides that the Underwriter will purchase all of the Certificates, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel. The Underwriter may offer and sell the Certificates to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

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### ADDITIONAL INFORMATION

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

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

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

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

PARADISE UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

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## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

### DEFINITIONS

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

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

“Additional Payments” means such amounts as will be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including without limitation all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, taxes of any sort whatsoever payable by the Corporation as a result of its ownership of the Property or undertaking of the transactions contemplated in the Lease or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement, including premiums on insurance maintained pursuant to the Lease or to indemnify the Corporation, the Trustee and their respective employees, officers, agents and directors.

“Assignment Agreement” means the Assignment Agreement related to the Certificates, dated on even date with the Lease and the Trust Agreement, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

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

“Certificate” or “Certificates” means the Paradise Unified School District (Butte County, California) 2025 Certificates of Participation executed and delivered by the Trustee pursuant to the Trust Agreement.

“Certificate Payment Date” means May 1 and November 1 of each year commencing November 1, 2025.

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

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of the Closing Date, executed by the District.

“Corporation” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized under the laws of the state, its successors and assigns.

“Corporation Representative” means the Chairman or Secretary of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease.

“Defeasance Securities” means the securities described in paragraph A of the definition of “Permitted Investments.”

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

“Delivery Cost Requisition” means a written requisition substantially in the form attached to the Trust Agreement.

“Delivery Costs” means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing of the Project from the proceeds of the Certificates, including, but not limited to: filing and recording costs; settlement costs; printing costs; word processing costs; reproduction and binding costs; initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel; financing and other professional consultant fees; costs of rating agencies and costs of providing information to such rating agencies; any computer and other expenses incurred in connection with the Certificates; fees for execution, transportation and safekeeping of the Certificates; and charges and fees in connection with the foregoing.

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

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

“District Representative” means the Superintendent and the Assistant Superintendent, Business Services of the District or any other person authorized by the Superintendent of the District to act on behalf of the District with respect to the Lease or the Trust Agreement.

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

“Event of Default” means an event of default under the Lease.

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

“Interest Component” means the portion of the Lease Payments designated in Exhibit A to the Lease.

“Lease” means the Lease Agreement related to the Certificates, dated as of April 1, 2025, by and between the District and the Corporation, and any duly authorized and executed amendments thereto.

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

“Lease Payment Deposit Date” means the 15th day next preceding the respective Certificate Payment Date (or if such day is not a Business Day, the next succeeding Business Day).

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

“Lease Year” means the period extending from August 1 of each calendar year to July 31 of the subsequent calendar year; provided that the first Lease Year shall commence on the Closing Date and end on July 31, 2026.

“Lessor” means the Corporation.

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

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

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

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

A. Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

B. Certificates for the payment or prepayment of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

C. Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

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

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

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, or which the District may, pursuant to provisions of the Lease, permit to remain unpaid; (ii) the Assignment Agreement; (iii) the Lease; (iv) the Site Lease; (v) any contested right or claim

of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under the Lease; (vi) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District hereby certifies will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the District certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the owners of the Certificates by the Trust Agreement and the Assignment Agreement and to which the Corporation consents in writing.

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

A. For all purposes, including defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”);
2. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;
3. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or
4. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

B. For all purposes other than defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

1. Federal Housing Administration debentures.
2. The following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - (a) Federal Home Loan Mortgage Corporation (FHLMC)
  - (b) Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  - (1) Senior Debt obligations
  - (c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
  - (d) Consolidated system-wide bonds and notes
  - (e) Federal Home Loan Banks (FHL Banks)
  - (f) Consolidated debt obligations

(g) Federal National Mortgage Association (FNMA)

(1) Senior debt obligations

(2) Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)

3. Unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the Trustee and the Corporation), time deposits, trust accounts, trust funds, interest bearing deposits, overnight bank deposits, interest bearing money market accounts, bank deposit products and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better at the time of investment by S&P and "Prime-1" at the time of investment by Moody's, which may include the Trustee and its affiliates.

4. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$15 million.

5. Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase "A-1+" by S&P and "Prime-1" by Moody's.

6. Money market mutual funds rated at the time of investment "AAm" or "AAm-G" by S&P, or better, and if rated by Moody's rated "Aa2" or better, including mutual funds for which the Trustee, its parent company, if any, or any affiliates or subsidiaries of the Trustee provide investment advising or other management services or serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that: (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; (ii) the Trustee collects fees for services rendered, which fees are separate from the fees received from such funds; and (iii) services performed for such funds may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

7. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at the time of investment "A3" by Moody's and "A-" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

8. Direct general short-term obligations of any state agency or subdivision or agency thereof described in paragraph (7) above and at the time of investment rated "A-1+" by S&P and "MIG-1" by Moody's.

9. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated at the time of investment "AA-" or better by S&P and "Aa3" or better by Moody's.

10. Pre-refunded municipal obligations rated at the time of investment in the highest rating category then assigned to the United States of America by S&P and Moody's meeting the following requirements:

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

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

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

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

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the Trustee or escrow agent.

11. Repurchase agreements entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at the time of investment at least “A-” by S&P and “A3” by Moody’s including the Trustee and any of its affiliates; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at the time of investment at least “A-” by S&P and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at the time of investment at least “A-” by S&P and “A3” by Moody’s (each an “Eligible Provider”), provided that:

(a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s, and 104% of the total principal when the collateral type is FNMA and FHLMC (“Eligible Collateral”);

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

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

(d) [Reserved.]

(e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; and

(f) the repurchase agreement shall provide that if during its term the provider’s rating at the time of investment by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must notify the

District and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i1) post Eligible Collateral, or (ii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the District or the Trustee.

12. Investment agreements with a domestic or foreign bank or corporation, the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is at the time of investment rated at least “AA-” by S&P and “Aa3” by Moody’s, each of which shall be an Eligible Provider, provided that:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service;

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

(c) the provider shall send monthly reports to the Trustee and the District setting forth the balance the District or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

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

(e) [Reserved];

(f) the District and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

(g) the District and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that: (1) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms; (b) the choice of law of the state set forth in the investment agreement is valid under that country’s laws and a court in such country would uphold such choice of law; and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(h) the investment agreement shall provide that if during its term:

(1) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3”, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either: (i) post Eligible Collateral with the District, the Trustee or a third party acting solely as agent therefore (the “Custodian”) free and clear of any third party liens or claims; (ii) assign the agreement to an Eligible Provider; or (iii) repay the principal of and accrued but unpaid interest on the investment;

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

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

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

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

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

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

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

"Principal Office" means the principal corporate trust office of the Trustee in Los Angeles, or such other address as the Trustee may inform the District, or the principal office of any successor trustee except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Project" means the Project, as defined in the Lease, and as described in the front part of this Official Statement.



“Project Cost Requisition” means a written requisition substantially in the form attached to the Trust Agreement.

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

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

“Property” means the Property, as defined in the Lease, and as described in the front part of this Official Statement.

“Purchaser” means the purchaser of the Certificates on the Closing Date, which purchaser is described in the Official Statement under the caption “UNDERWRITING.”

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

“Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond or other credit deposited with the Trustee pursuant to the Trust Agreement.

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

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

“Reserve Requirement” means, as of any calculation date, the lesser of (1) the maximum aggregate annual Lease Payments (in any twelve month period ending on August 1) then payable under the Lease with respect to the Certificates and Additional Certificates, (2) 125% of the average annual aggregate Lease Payments (calculated based on Fiscal Years) then payable under the Lease with respect to the Certificates and Additional Certificates, or (3) 10% of the original face amount of the Certificates and Additional Certificates (less original issue discount if in excess of two percent (2%) of the stated Principal Component amount at maturity).

“S&P” means S&P Global Ratings or any successors or assigns thereto.

“Site Lease” means the Site Lease related to the Certificates, dated the date of the Trust Agreement and Lease, by and between the Corporation and the District, and any duly authorized and executed amendments thereto.

“Special Counsel” means Dannis Woliver Kelley, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the District.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates.

“Term” means the time during which the Lease is in effect, as provided in the Lease, as further described under the caption “THE LEASE AGREEMENT — Term of the Lease” herein.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, and any successor trustee.

“Trust Agreement” means the Trust Agreement, related to the Certificates, dated on even date with the Assignment Agreement and the Lease, by and among the Trustee, the Corporation and the District, and any duly authorized and executed amendment thereto.

## THE LEASE AGREEMENT

### **Lease; Interests in the Property**

Pursuant to the terms of the Lease, the Corporation agrees to lease the Property to the District and the District agrees to lease the Property from the Corporation. During the Term of the Lease, the Corporation will hold a leasehold interest in the Property under the Site Lease. Upon the expiration of the Term of the Lease, the leasehold interest of the Corporation in the Property under the Site Lease and all right, title and interest of the Corporation in and to the Property will transfer to and vest in the District.

### **Term of the Lease**

The Term of the Lease will commence as of the date of its execution and ends on May 1, 2054, unless extended pursuant to the Lease, or terminated prior thereto upon the earliest of any of the following events: (a) a default by the District and the Corporation's election to terminate the Lease; (b) the payment by the District of all Lease Payments, Reserve Replenishment Rent and any Additional Payments required by the Lease; or (c) the deposit of funds or Defeasance Securities with the Trustee in amounts sufficient to pay all Lease Payments as will become due.

### **Lease Payments**

The District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, Lease Payments in such semiannual amounts as are sufficient in both time and amount to pay when due the annual principal and interest represented by the Certificates. Lease Payments will be due and payable on the fifteenth day of the month (or if such date is not a Business Day, the next succeeding Business Day) immediately preceding the respective Certificate Payment Date. Certain amounts held in the Lease Payment Fund on any Lease Payment Date are credited towards the Lease Payment then due and payable. The District must make all Lease Payments, Additional Payments and Reserve Replenishment Rent payments when due notwithstanding any dispute between the Corporation and the District, including a dispute as to the failure of any portion of the Property to perform the task for which it is leased, and cannot withhold any Lease Payment pending the final resolution of such dispute. Any Lease Payment in default continues as an obligation of the District until fully paid, with interest, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then outstanding. The Corporation and the District have agreed and determined that the total rental under the Lease represents the fair rental value of the Property. The District covenants to take such action as may be necessary to include and maintain all Lease Payments, Additional Payments and Reserve Replenishment Rent in its annual budgets (to the extent the amounts of such Additional Payments and Reserve Replenishment Rent are known to the District at the time its annual budget is proposed) and to provide the Trustee annually with a certificate to this effect. Pursuant to the Assignment Agreement, the Corporation has assigned its right to receive and to collect Lease Payments, Reserve Replenishment Rent, and Prepayments to the Trustee in trust for the benefit of the Owners of the Certificates. (See "THE ASSIGNMENT AGREEMENT" herein.)

### **Reserve Replenishment Rent**

The District has agreed to pay to the Trustee from its first legally available moneys, after payment of the Lease Payments, Reserve Replenishment Rent to replace amounts withdrawn from the Reserve Fund in order to pay interest or principal represented by the Certificates; provided, however, that such obligation to pay will only occur if (i) the Lease Payments are not in abatement, and (ii) the amount of the Lease Payments and Additional Payments due in each year is less than the fair market rental value of the Property as determined in an appraisal filed with the Trustee.

The District's obligation to fund Reserve Replenishment Rent is subject to the District's right to pay such Reserve Replenishment Rent over a period of not more than twelve (12) months, in substantially equal monthly payments, in the event of a deficiency from a withdrawal of amounts from the Reserve Fund to pay principal and interest with respect to the Certificates; provided, however, if such payments would cause the sum of the Lease Payments and the Reserve Replenishment Rent to exceed the fair rental value in a Fiscal Year, then the amount of the Reserve Replenishment Rent shall be reduced so that such fair rental value amount is not exceeded and the remainder of the Reserve Replenishment Rent shall be paid in equal monthly installments in the subsequent Fiscal Year until fully paid.

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

Lease Payments will be paid in consideration of the right of possession and the continued quiet use and enjoyment of the Property during each period for which such Lease Payments are to be paid. The obligation of the District to pay Lease Payments, Reserve Requirement Rent and Additional Payments will be abated, in whole or in part, during any period in which, by reason of damage, destruction, interference due to title defect or taking by eminent domain or condemnation with respect to any portion of the Property, there is substantial interference with the District's right to the use and possession of such portion of the Property by the District. The amount of such abatement will be determined by the District such that the resulting Lease Payments, Reserve Replenishment Rent and Additional Payments represent fair consideration for the use and possession of the portion of the Property not damaged, destroyed, interfered with or taken. Such abatement will commence with such damage, destruction, interference or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, available moneys on deposit in the Reserve Fund and the Lease Payment Fund, as well as other special sources of money, including the proceeds of rental interruption or use and occupancy insurance, will be applied to pay the Lease Payments.

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

The District is responsible for all repair and maintenance of the Property throughout the Term of the Lease. The District must pay for or otherwise arrange for the payment of the cost of the repair and replacement of any portion of the Property resulting from ordinary wear and tear or want of care on the part of the District or any sublessee thereof. The District will also pay all taxes and assessments, including but not limited to utility charges, charged to the Corporation or the District or levied, assessed or charged against any portion of the Property or the respective interests or estates therein. The District is obligated to pay special assessments or governmental charges only to the extent they are required to be paid during the Term of the Lease.

#### **No Liens**

Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District; provided that if any such lien is established and the District must first notify or cause to be notified the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and must provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee as assignee of the Corporation.

## **Disclaimers**

The Corporation makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Property or any portion thereof.

## **Insurance**

The District must maintain or cause to be maintained the following insurance:

**Public Liability and Property Damage.** The District must maintain or caused to be maintained, throughout the Term of the Lease, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District and the Corporation, their directors, officers, agents and employees. Said policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of any District property or portion thereof. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of the amount of \$150,000 (subject to a deductible clause of not to exceed \$75,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth in the Lease. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to the provisions of the Lease, may be maintained in the form of self-insurance by the District.

**Workers' Compensation.** The District must maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in the State, or any act subsequently enacted as an amendment or supplement thereto (with provision for self-insurance of no more than \$1,000,000).

**Casualty and Theft.** The District must maintain, throughout the Term of the Lease, insurance against loss or damage to any item or portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance. Such extended coverage insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards normally covered by such insurance. Such insurance will be maintained in an amount (except that such insurance may be subject to deductible clauses of not to exceed \$50,000 for any one loss) not less than the greater of (i) the replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to the provisions of the Lease, may be maintained in the form of self-insurance by the District.

**Rental Interruption or Use and Occupancy.** The District must maintain rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance described in the Lease. Such rental interruption or use and occupancy insurance shall name the Trustee as loss payee. Such insurance may be maintained as part of or in conjunction with any other rental income insurance carried by the District.

**Title Insurance.** The District must obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of an CLTA title policy, in an amount

equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners subject only to Permitted Encumbrances. Said policy shall insure (a) the Corporation's ground leasehold estate in the Property under the Site Lease, and (b) the District's leasehold estate under the Lease in the Property, subject only to Permitted Encumbrances. The Net Proceeds of such insurance shall be applied as provided in the Lease. The Trustee shall be provided with a title insurance policy in an amount equal to principal amount of the Certificates.

### **Substitution or Release of the Property**

The District has the right to substitute alternate real property for any portion of the Property described in the Lease or to release a portion of the Property from the lien of the Lease by providing the Trustee with a supplement to the Lease substantially in the form attached to the Lease and satisfying the conditions set forth below. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any such substitution, there will be no reduction in or abatement of the Lease Payments due from the District as a result of such substitution. No substitution will be permitted unless: (1) any substituted property is free from any liens, other than Permitted Encumbrances, as certified by the District in a certificate delivered to the Trustee; (2) the District provides prior written notice thereof to each rating agency then rating the Certificates; (3) the District delivers a certificate to the District and the Trustee setting forth its findings that the real property remaining after such substitution or release (a) has a fair rental value in each Fiscal Year during the remaining Term greater than or equal to the Lease Payments due in such Fiscal Year such that the Lease Payments payable by the District pursuant to the Lease will not be reduced, and (b) has an equivalent or greater useful life as the Property to be released, and (c) that the useful life of the substituted real Property exceeds the remaining Term; (4) with respect to substitution, the District obtains or causes to be obtained an CLTA title insurance policy (with Western Regional exceptions) with endorsement so as to be payable to the Trustee for the benefit of the Owners (such policy will comply with the Lease, will be in a form satisfactory to the Corporation, will be in the amount equal to the principal component of Lease Payments attributable to the substituted real property, and will insure the leasehold interest or the site leasehold interest of the Corporation or the District, as applicable, to the substituted real property); (5) the District provides the Corporation and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the Interest Component evidenced by the Certificates to be included in gross income for federal income tax purposes; (6) the District will give, or cause to be given, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate; (7) upon any substitution or release, the District, the Corporation and the Trustee will execute and the District will record with the office of the County Recorder, Butte County, California, any document necessary to reconvey to the District the portion of the Property being released and to include the added or substituted real property and/or improvements thereon as all or a portion of the Property; and (8) the District will certify to the Trustee that any substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being released.

### **Assignment and Subleasing**

Except as provided in the Lease, the Trust Agreement and the Assignment Agreement, the Corporation will not assign the Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained therein and any assignment in contravention thereof shall be void. The District may sublease all or any portion of the Property, so long as such sublease does not, in the opinion of Special Counsel, adversely affect (1) the exemption from State personal income tax or the exclusion from gross income for federal income tax of the Interest Component evidenced by the Certificates, or (2) affect the validity of the Lease, subject to all of the following conditions: (a) the Lease and the obligation of the District to make Lease Payments under the Lease will remain obligations of the

District; (b) the District will, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation, the Trustee and S&P, a true and complete copy of such sublease; and (c) any sublease of the Property by the District shall expressly provide that such sublease is subject to all rights of the Corporation under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement in the event of a default by the District.

### **Events of Default and Remedies**

**Events of Default Defined.** The following constitute “events of default” under the Lease (each, an “Event of Default”) and the terms “events of default” and “default” will mean, whenever they are used in the Lease, any one or more of the following events:

(i) Failure by the District to pay any Lease Payment required to be paid under the Lease by the corresponding Lease Payment Date, and failure by the District to timely pay any Reserve Replenishment Rent, if and when required.

(ii) Failure by the District to observe and perform any warranty, covenant, condition or agreement contained in the Lease or in the Trust Agreement or in the Site Lease, other than the default described in (i) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee or the Owners of not less than 20% in aggregate principal amount of the Certificates then Outstanding, provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Corporation or such Owners, as the case may be, will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

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

**Remedies.** Whenever any Event of Default described above will have happened and be continuing, the Corporation may exercise any and all remedies available pursuant to law or granted pursuant to the Lease as described below. The Corporation has no right under any circumstances, however, to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. After the occurrence of an Event of Default under the Lease the District will surrender possession of the Property to the Corporation if requested to do so by the Corporation, the Trustee or the Certificate Owners, in accordance with the provisions of the Lease.

**No Termination: Repossession and Re-Lease on Behalf of District.** In the event the Corporation does not elect to terminate the Lease, the Corporation may, with the consent of the District, repossess the Property, and re-lease it for the account of the District, in which event the District’s obligation will continue to accrue from year to year in accordance with such Lease and the District will continue to receive the value of the use of the Property to the Lease from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District will remain the same as prior to such default; to pay Lease Payments, Reserve Replenishment Rent and Additional Payments whether the Corporation re-enters or not. The District agrees to and will remain liable for the payment of all Lease Payments, Reserve Replenishment Rent and Additional Payments and the performance of all conditions

contained in such Lease, and to reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event that the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments, Reserve Replenishment Rent and Additional Payments to the end of the Lease Term, but said Lease Payments, Reserve Replenishment Rent and Additional Payments and/or deficiency will be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, Reserve Replenishment Rent and Additional Payments under the Lease, notwithstanding such repossession by the Corporation, or any suit brought by the Corporation for repossession of the Property, or the exercise of any other remedy by the Corporation.

The District irrevocably appoints the Corporation its agent and attorney-in-fact for purposes of repossessing or re-leasing the Property in the event of default. In addition, the District exempts and agrees to save harmless the Corporation from any cost, loss or damage arising from or occasioned by any such repossession and re-leasing of the Property. The District waives all claims for damages caused by the Corporation in repossessing the Property as provided in the Lease and all claims for damage that may result from the destruction of or injury to the Property, and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

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

The re-leasing of the Property shall be subject to the opinion of Special Counsel that such re-leasing will not cause the Interest Component evidenced by the Certificates to be subject to State personal income tax or adversely affect the exclusion of such Interest Component from gross income for federal income tax purposes.

In the event the Corporation does not elect to terminate the Lease in the manner provided therein or to exercise its right to re-enter and re-lease, the Corporation may collect each installment of Lease Payments as the same become due and enforce any other terms or provisions of the Lease to be kept or performed by the District, regardless of whether or not the District has abandoned the Property.



The District's rights and remedies are assigned to the Trustee and are exercisable by the Trustee and the Owners of the Certificates as provided in the Trust Agreement. (See "THE ASSIGNMENT AGREEMENT" herein.)

### THE TRUST AGREEMENT

#### **Additional Certificates**

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

(a) The parties to the Trust Agreement shall have executed a supplemental agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and accounts established under the Trust Agreement for the Certificates executed and delivered on the Closing Date, as shall be necessary or appropriate, which supplemental agreement shall require that prior to the delivery of such Additional Certificates there shall be on deposit in the Reserve Fund established under the Trust Agreement or in a reserve fund established under such supplemental agreement an amount equal to the Reserve Requirement upon the execution and delivery of the Additional Certificates;

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

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

(d) The District and the Corporation will have determined that the Lease Payments to be paid by the District (including those evidenced by the Additional Certificates) do not exceed the fair rental value of the Property pursuant to the Lease.

(e) There will have been delivered to the Trustee a counterpart of the amendments required by the Trust Agreement;

(f) The Trustee will have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(g) The Trustee will have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(h) The Trustee will have received an opinion of Special Counsel substantially to the effect that (i) said supplemental agreement and said amendments to the Lease comply in all respects with the requirements of the Trust Agreement, (ii) said supplemental agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in the Trust Agreement, shall be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said supplemental agreement or said amendments to the Lease), and (iii) assuming that no Event of Default has occurred and is continuing, the Trust Agreement, as amended by said supplemental agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding);

(i) The District will have provided each rating agency then rating the Certificates written notice of the proposed execution and delivery of such Additional Certificates at the addresses indicated in the Trust Agreement and will receive a rating confirmation that the current rating or ratings of the Outstanding Certificates will not be reduced, withdrawn or suspended as a result of the execution and delivery of such Additional Certificates from each rating agency then rating the Certificates.

(j) There will have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(k) Upon the execution and delivery of such Additional Certificates, there will have been delivered to the Trustee cash or a Reserve Facility sufficient to increase the amount on deposit in the Reserve Fund, or a reserve fund established under the supplemental agreement, to the Reserve Requirement (calculated with respect to all Outstanding Certificates and Additional Certificates);

(l) Such other conditions will have been satisfied, and such other instruments will have been duly executed and delivered to the Trustee (with a copy to each rating agency then rating the Certificates), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee will cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such supplemental agreement, and such Additional Certificates shall be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of the Trust Agreement shall require the District to consent to or otherwise

permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, shall be in the sole discretion of the District.

### **The Trustee**

**Indemnification.** The District shall, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, representatives and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property or the Project by the District; (ii) any breach or default on the part of the District in the performance of any of its obligations under the Trust Agreement and any other agreement made and entered into for purposes of the Property or the Project; (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project; (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property or the Project; (v) the construction or acquisition of the Project or the expenditure of Project Costs; (vi) the exercise and performance by the Trustee of its powers and duties under the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement or any related document; (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or this Agreement; (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates; or (ix) the acceptance of administration of the trust or trusts under the Trust Agreement, including the costs and expenses of defending itself against any claim (whether asserted by the District, the Corporation, any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties under the Trust Agreement. The indemnification set forth in the Trust Agreement shall extend to the Trustee's officers, directors, agents, representatives, employees, successors and assigns. No indemnification will be made under this Section or elsewhere in the Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, agents, employees, successors or assigns. The District's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

**Removal.** So long as there is no Event of Default, the District may remove the Trustee upon 30 days written notice initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

**Resignation.** The Trustee may, upon prior written notice to the District and the Corporation, resign; provided that such resignation will not take effect until the successor Trustee is appointed. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee. In the event the District does not name a successor Trustee within 30 days of receipt of notice of the Trustee's resignation, then the Trustee may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

**Successor.** Any successor Trustee will be a bank, association, corporation or trust company meeting the qualifications as set forth in the Trust Agreement. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee will mail notice thereof to the Owners at their respective addresses set forth on the Certificate registration books.

## **Funds; Pledge**

The Trust Agreement creates (1) a Project Fund; (2) a Delivery Cost Fund, (3) a Prepayment Fund, (4) a Lease Payment Fund, (5) a Reserve Fund, (6) a Net Proceeds Fund, and (7) a Rebate Fund, each to be held in trust by the Trustee.

**The Project Fund.** The moneys in the Project Fund will be expended for Project Costs. The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs directly or to reimburse the District for payment of Project Costs, upon receipt by the Trustee of a Project Cost Requisition signed by the District Representative. The Trustee will be absolutely protected in making any disbursement from the Project Fund in reliance upon a Project Cost Requisition signed by the District Representative. Each such Project Cost Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Notwithstanding the foregoing, upon the occurrence of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Project Fund shall be applied to the payment of debt service or redemption of the Certificates.

**The Delivery Cost Fund.** The moneys in the Delivery Cost Fund will be used and withdrawn by the Trustee from time to time to pay the Delivery Costs upon submission of a Delivery Cost Requisition of the District stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Delivery Cost Fund, and (e) that such amounts have not been the subject of a prior Delivery Cost Requisition. On the earlier of (i) the date which is 90 days after the Closing Date, or (ii) the date of receipt by the Trustee of a Delivery Cost Requisition therefor, all amounts (if any) remaining in the Delivery Cost Fund will be withdrawn therefrom by the Trustee and transferred to the Lease Payment Fund. Thereafter, the Delivery Cost Fund will be closed.

**The Prepayment Fund.** Moneys to be used for prepayment of the Certificates will be deposited into the Prepayment Fund and used solely for the purpose of prepaying the Certificates in advance of their maturity on the date designated for prepayment and upon presentation and surrender of such Certificates to the Trustee. Any funds remaining in the Prepayment Fund after prepayment and payment of all Certificates Outstanding with respect to such Prepayment Fund, including payment of any applicable fees and expenses to the Trustee and any other Additional Payments payable under the Lease, or provision made thereof satisfactory to the Trustee, will be withdrawn by the Trustee and remitted to the District.

**The Lease Payment Fund.** Lease Payments and any proceeds from the re-letting or any other distribution of the Property pursuant to the Lease will be deposited in or credited to the Lease Payment Fund.

Amounts in the Lease Payment Fund must be used solely for the purpose of paying the principal and interest evidenced by the Certificates as the same become due and payable in accordance with the Trust Agreement, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund as provided in the Trust Agreement, as follows: on each Certificate Payment Date, the Trustee first will set aside an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and mail such amount to the Owners; and second will set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including accrued interest and payment of any applicable fees, expenses or other amounts to the Trustee

pursuant to the Trust Agreement and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will be withdrawn by the Trustee and remitted to the District.

**The Net Proceeds Fund.** Any Net Proceeds received by the District in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Property must be transferred to the Trustee and deposited by the Trustee in the Net Proceeds Fund.

The Trustee will disburse Net Proceeds for replacement or repair of the Property as provided in the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in the Lease for prepayment of all or part of the Certificates. Any balance of the Net Proceeds remaining in the Net Proceeds Fund after replacement or repair has been completed shall be disbursed to the District. Any amounts remaining in the Net Proceeds Fund after payment or provision for payment of all Certificates, including provision for all amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, shall be paid to the District as provided in the Trust Agreement.

Proceeds of any policy of title insurance received by the Trustee with respect to the Property shall be applied and disbursed by the Trustee upon the Written Request of the District as follows:

(i) If the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds shall be remitted to the District and used for any lawful purpose thereof; or

(ii) If the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee will immediately deposit such proceeds in the Prepayment Fund and such proceeds shall be applied to the prepayment of Certificates.

**Security Interest in Moneys and Funds.** The Corporation and the District, as their interests may appear, grant to the Trustee for the benefit of the Owners, and the Trustee for all amounts owing to it, a lien on and a security interest in all moneys in the funds held by the Trustee under the Trust Agreement (excepting only the Rebate Fund and any moneys to be deposited into the Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund, the Prepayment Fund and the Net Proceeds Fund, and all such moneys will be held by the Trustee in trust and applied to the respective purposes specified in the Trust Agreement and in the Lease.

**Pledge of Lease Payments and Proceeds.** The Lease Payments and any proceeds from the re-letting or any other disposition of the Property pursuant to the Lease (the "Lease Proceeds") are irrevocably pledged to and will be used for the punctual payment of the interest and principal represented by the Certificates, the payment of all amounts owing to the Trustee, and except for as permitted under the Trust Agreement with respect to Additional Certificates, the Lease Payments and Lease Proceeds will not be used for any other purpose while any of the Certificates remain Outstanding. This pledge will constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms of the Trust Agreement.

### **Reserve Fund**

All moneys at any time on deposit in the Reserve Fund (including any Reserve Facility provided to satisfy the Reserve Requirement in whole or in part) will be held by the Trustee in trust for the benefit of the Owners of the Certificates, as a reserve for the payment when due of all the Lease Payments to be

paid pursuant to the Lease and of all payments on the Certificates and applied solely as provided in the Trust Agreement. On the Closing Date, there will be deposited in the Reserve Fund cash in the amount of the Reserve Requirement.

**Reserve Replenishment Rent.** Any Reserve Replenishment Rent payable pursuant to the Lease will be deposited in the Reserve Fund.

**Transfers of Excess.** The Trustee will, on or before April 15 and October 15 of each year, provide written notice to the District of any moneys which are estimated to be on hand in the Reserve Fund in excess of the Reserve Requirement on the next succeeding May 1 or November 1, as the case may be, and one Business Day immediately preceding any Lease Payment Date, the Trustee will transfer such excess moneys to the Lease Payment Fund to be applied to the Lease Payment then due from the District. In the event of the partial Prepayment of Lease Payments the District may instruct the Trustee to reduce the cash amounts on deposit in the Reserve Fund to the Reserve Requirement as of such date and may direct the Trustee to transfer excess cash amounts from the Reserve Fund for any lawful purpose.

The transfers described above are in each case subject to the requirement that if the Certificate proceeds have become subject to the arbitrage rebate provisions of Section 148(f) of the Code as described in the Trust Agreement, then certain investment earnings are to be transferred to the Rebate Fund at the direction of the District as provided in the Trust Agreement.

### **Rebate Fund**

Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Trust Agreement and the Tax Certificate. All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under this Trust Agreement and shall be governed by the Trust Agreement and by the Tax Certificate executed by the District. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement and the Tax Certificate if it follows the directions of the District, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the District with the Rebate Requirement.

### **Moneys in Funds; Investment**

**Held in Trust.** The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes specified in the Trust Agreement, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

**Investment.** Moneys held by the Trustee under the Trust Agreement will be invested and reinvested on maturity by the Trustee pursuant to the Trust Agreement. The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available based upon information supplied by the District. Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund will mature not later than the Certificate Payment Date or prepayment date, as

appropriate, immediately succeeding the investment. Notwithstanding anything to the contrary contained in the Trust Agreement, investments purchased with funds on deposit in the Reserve Fund should have an average aggregate weighted term to maturity of not greater than five years unless invested as permitted in the Trust Agreement pursuant to which funds may be withdrawn, without penalty, to make payments. Any income, profit or loss on the investment of moneys held by the Trustee under the Trust Agreement will be credited to the respective fund for which it is held, except as otherwise provided in the Trust Agreement.

### **Amendments Permitted**

**With Consent.** The Trust Agreement and the rights and obligations of the Owners, and the Lease and the rights and obligations of the parties thereto, may be modified or amended at any time, with notice to any rating agency then rating the Certificates, by a supplemental agreement or amendment thereto which will become effective when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided below, will be filed with the Trustee. No such modification or amendment will (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof;; or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Trust Agreement or supplement thereto without the prior written consent of the Owners of all Certificates then Outstanding; or (3) modify any of the rights or obligations of the Trustee without its written assent thereto; or (4) amend the section of the Trust Agreement pertaining to amendments without the prior written consent of the Owners of all Certificates then outstanding. The Trustee will have the right to require such opinions of counsel as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners; and (ii) that such amendment is authorized or permitted under the terms of the Trust Agreement (and, if applicable, the Lease) and complies with the provisions of the Trust Agreement. Any such supplemental agreement or amendment will become effective as provided in the Trust Agreement.

**Without Consent.** The Trust Agreement and the rights and obligations of the Owners, and the Lease and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement or amendments thereto, with notice to any rating agency then rating the Certificates, but without the consent of any such Owners, but only to the extent permitted by law and only: (1) to add to the covenants and agreements of the District and the Corporation under the Trust Agreement; (2) to cure, correct or supplement any ambiguous or defective provision contained in the Trust Agreement or in the Lease; (3) to make necessary or desirable amendments to the Trust Agreement or the Lease that, in the Opinion of Counsel, do not materially adversely affect the interests of Owners; (4) to substitute the Property, or a portion thereof, in accordance with the Lease; (5) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates; (6) to add to the rights of the Trustee; (7) to maintain the rating or ratings assigned to the Certificates; or (8) to provide for the execution and delivery of Additional Certificates in accordance with the Trust Agreement. No such modification or amendment, however, will modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective upon execution and delivery by the parties thereto.

### **Limitation of Liability**

**Limited Liability of the District.** Except for the payment of Lease Payments, Additional Payments, Reserve Replenishment Rent and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained in the Trust Agreement and in the Lease, the District will have no obligation or liability to any of the other parties or to the Owners with

respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

**No Liability of the District or Corporation for Trustee Performance.** Except as expressly provided in the Trust Agreement, neither the District nor the Corporation will have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

**Limited Liability of Trustee.** The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

The Trustee makes no representations as to the validity or sufficiency of the Certificates, will incur no responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Certificates assigned to or imposed upon it. The Trustee will not be responsible for the sufficiency or enforceability of the Lease, Site Lease or Assignment Agreement. The Trustee will not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in the Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

The Trustee will have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement or the Lease, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it under the Trust Agreement.

The recitals of facts, covenants and agreements in the Trust Agreement and in the Certificates will be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

## **Events of Default and Remedies**

**Remedies.** If an Event of Default happens, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease; provided, however, that notwithstanding anything in the Trust Agreement or in the Lease to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE.

**Application of Funds.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Lease, will be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement and of the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid —

*First*, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee and then of the Owners in declaring such Event of Default and in performing its duties under the Trust Agreement, including reasonable compensation to its or their agents, attorneys and counsel;

*Second*, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the



payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

*Third, Principal:* to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

## **Defeasance**

If and when any Outstanding Certificates will be paid and discharged in any one or more of the following ways —

(1) **Payment or Prepayment:** by well and truly paying or causing to be paid the principal of and interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(2) **Cash:** if prior to maturity and having given at least thirty (30) days' prior written notice of prepayment by depositing with the Trustee, in trust, concurrent with the giving of such notice, an amount of cash which (together with cash then on deposit in the Lease Payment Fund and the Reserve Fund together with the interest to accrue thereon, in the event of payment or provision for payment of all Outstanding Certificates) is sufficient to pay such Certificates Outstanding, including all principal and interest and premium, if any; or

(3) **Defeasance Securities:** by irrevocably depositing with the Trustee, in trust, Defeasance Securities together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon (and, in the event of payment or provision for payment of all Outstanding Certificates, moneys then on deposit in the Lease Payment Fund and the Reserve Fund together with the interest to accrue thereon), be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due under the Trust Agreement have been paid in full, then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to paragraphs (2) and (3) above, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (2) and (3) above, the Certificates will continue to represent direct and proportionate interests of the Owners thereof in the Lease Payments under the Lease.

Prior to any defeasance becoming effective under the Trust Agreement, the District will cause to be delivered at least five business days prior to any defeasance becoming effective (i) an executed copy of a report, addressed to the Trustee and the District, in form and substance acceptable to the District of a nationally recognized firm of certified public accountants, verifying that the Defeasance Securities and cash, if any, satisfy the requirements described above; (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance; and (iii) a copy of an Opinion of Special Counsel, dated the date of such defeasance and addressed to the Trustee and the District in form and substance acceptable to the

Trustee and the District to the effect that such Certificates are no longer Outstanding under the Trust Agreement.

Notwithstanding the foregoing, if the defeasance is given effect by means of a cash deposit only, the escrow deposit agreement referenced above shall not be required, though the other requirements described above shall still apply.

Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to one of the procedures described in the Trust Agreement, which are not required for the payment to be made to Owners, will be paid over to the District, after the payment of any amounts due to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease.

#### THE ASSIGNMENT AGREEMENT

The Assignment Agreement provides for the transfer, assignment and setting over by the Corporation to the Trustee, for the benefit of the Owners of Certificates, all of the Corporation's rights under the Lease (excepting only the Corporation's rights to recover attorneys' fees and expenses in the event the Corporation is a non-defaulting party to a Lease after a default), including, without limitation: (1) the right to receive and collect all of the Lease Payments, Additional Payments, Prepayments and Reserve Replenishment Rent from the District under the Lease; (2) the right to receive and collect any proceeds of any insurance maintained pursuant to the Lease, or any condemnation award rendered with respect to the Property or any lease of the Property in the event of a default by the District under the Lease; (3) the right to take all actions and give all consents under the Lease; (4) the right to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (a) to enforce payment of the Lease Payments, Additional Payments, Prepayments, Reserve Replenishment Rent, and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Reserve Fund, the Net Proceeds Fund or any other fund established under the Trust Agreement, or (b) otherwise to protect the interests of the Corporation in the event of a default by the District under the Lease; and (5) the right of the Corporation be paid its fees and expenses for re-leasing the Property upon events of default under the Lease. The Trustee accepts such assignment for the benefit of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

#### THE SITE LEASE

Pursuant to the Site Lease, the District, as lessor, leases to the Corporation, as lessee, right, title and interest in the Property. The term of the Site Lease will commence as of the date of the Lease to the Site Lease and will remain in effect until the expiration of the term of such Lease. The Property will be simultaneously leased back to the District under the Lease, and title will remain in the District.

## APPENDIX B

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR BUTTE COUNTY

*The following information 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 or the Underwriter. The District comprises only a portion of Butte County, California (the “County”). The following information concerning the County is included only for the purpose of supplying general information regarding the area served by the District. The Certificates are not a debt of the County.*

#### General

The District lies in Butte County (the “County”), which is located in the northern portion of the Sacramento Valley. Surrounding counties include Plumas to the northeast, Tehama to the northwest, and Glenn to the west, with Sutter, Yuba, and Colusa counties bordering to the south. Major transportation routes in the county include highways 99 and 70. Butte County is also home to a municipal airport and two railroad lines, which provide both freight and passenger services. The City of Oroville is the County seat. The County’s population reached 205,928 as of January 1, 2024.

#### Population

The following table shows historical population statistics from 2020 through 2024 for the cities in the County, and the County.

**POPULATION ESTIMATES<sup>(1)</sup>**  
**Cities of Butte County and the County Total**  
**Calendar Years of 2020 Through 2024**

| Area              | 2020          | 2021          | 2022          | 2023          | 2024          |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| Biggs             | 1,963         | 1,989         | 1,991         | 1,951         | 1,853         |
| Chico             | 107,103       | 103,016       | 105,517       | 107,639       | 109,589       |
| Gridley           | 7,326         | 7,468         | 7,396         | 7,235         | 6,935         |
| Oroville          | 20,009        | 20,343        | 19,432        | 18,841        | 18,129        |
| Paradise          | 4,710         | 6,068         | 7,720         | 9,205         | 10,691        |
| Balance Of County | <u>75,921</u> | <u>68,519</u> | <u>64,128</u> | <u>61,708</u> | <u>58,731</u> |
| County Total      | 211,632       | 207,403       | 206,184       | 206,579       | 205,928       |

<sup>(1)</sup> Population estimates as of January 1<sup>st</sup> for the counties and cities.

Source: *California State Department of Finance*, E-4 Population Estimates for Cities, Counties, and the State, 2021-2024, with 2020 Census Benchmark. Sacramento, California, May 2024.

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## Employment

The County, State and United States civilian labor force figures are shown in the following table for the years 2019 through 2023. The County figures are county-wide and may not necessarily reflect employment trends in the District.

### LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT<sup>(1)</sup> Butte County, California, and the United States Calendar Years of 2019 through 2023

| Year and Area | Labor Force | Employment  | Unemployment | Unemployment Rate <sup>(2)</sup> |
|---------------|-------------|-------------|--------------|----------------------------------|
| 2019          |             |             |              |                                  |
| Butte County  | 98,000      | 92,900      | 5,000        | 5.1%                             |
| California    | 19,385,300  | 18,589,600  | 795,700      | 4.1                              |
| United States | 163,539,000 | 157,538,000 | 6,001,000    | 3.7                              |
| 2020          |             |             |              |                                  |
| Butte County  | 93,200      | 84,500      | 8,700        | 9.4%                             |
| California    | 18,958,600  | 17,037,000  | 1,921,600    | 10.1                             |
| United States | 160,742,000 | 147,795,000 | 12,947,000   | 8.1                              |
| 2021          |             |             |              |                                  |
| Butte County  | 92,000      | 85,700      | 6,300        | 6.9%                             |
| California    | 18,956,600  | 17,568,700  | 1,387,800    | 7.3                              |
| United States | 161,204,000 | 152,581,000 | 8,623,000    | 5.3                              |
| 2022          |             |             |              |                                  |
| Butte County  | 91,500      | 87,400      | 4,100        | 4.5%                             |
| California    | 19,169,300  | 18,348,900  | 820,400      | 4.3                              |
| United States | 164,287,000 | 158,291,000 | 5,996,000    | 3.6                              |
| 2023          |             |             |              |                                  |
| Butte County  | 91,900      | 87,100      | 4,800        | 5.2%                             |
| California    | 19,308,300  | 18,388,300  | 920,000      | 4.8                              |
| United States | 167,116,000 | 161,037,000 | 6,080,000    | 3.6                              |

<sup>(1)</sup> The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

<sup>(2)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *California State Employment Development Department, and U.S. Bureau of Labor Statistics.*

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## Industry

The table below provides the California Employment Development Department's estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry in the County from calendar years 2019 through 2023.

### EMPLOYMENT BY INDUSTRY <sup>(1)</sup> Butte County Calendar Years 2019 through 2023

| Industry                          | 2019          | 2020          | 2021          | 2022          | 2023          |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Farm                        | 2,900         | 2,900         | 2,900         | 2,800         | 2,700         |
| Mining, Logging, and Construction | 4,400         | 4,200         | 4,200         | 4,200         | 4,300         |
| Manufacturing                     | 4,100         | 4,000         | 4,100         | 4,300         | 4,200         |
| Service Providing                 | 72,100        | 65,600        | 67,000        | 68,800        | 69,200        |
| Private Service Providing         | 55,500        | 50,400        | 52,200        | 53,200        | 53,400        |
| Trade, Transportation & Utilities | 14,500        | 13,600        | 14,500        | 14,300        | 13,600        |
| Information                       | 800           | 600           | 600           | 700           | 700           |
| Financial Activities              | 3,200         | 3,000         | 2,900         | 2,700         | 2,600         |
| Professional & Business Services  | 5,800         | 5,400         | 5,500         | 5,100         | 5,200         |
| Educational & Health Services     | 18,400        | 17,500        | 17,600        | 18,400        | 19,600        |
| Leisure & Hospitality             | 9,000         | 7,200         | 8,100         | 8,400         | 8,200         |
| Other Services                    | 3,900         | 3,100         | 3,100         | 3,600         | 3,600         |
| Government                        | <u>16,600</u> | <u>15,300</u> | <u>14,800</u> | <u>15,700</u> | <u>15,800</u> |
| Total, All Industries             | 83,500        | 76,800        | 78,300        | 80,200        | 80,400        |

<sup>(1)</sup> Annual Averages. Data not seasonally adjusted; Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *State of California Employment Development Department, Labor Market Information Division*, Employment by Industry Data based on March 2023 Benchmark. May 2024.

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## Major Employers Within the County

The County has a diverse mix of major employers representing industries ranging from agriculture and government to manufacturing, wholesale, health services, and education. The following table lists the County's major employers.

### MAJOR EMPLOYERS Butte County Fiscal Year 2024

| Employer                       | Location | Industry                                |
|--------------------------------|----------|---|
| Butte Community Insurance Agcy | Chico    | Insurance                               |
| Butte County Comm Employment   | Oroville | Employment Agencies & Opportunities     |
| Butte County Sheriff           | Oroville | Government Offices-County               |
| California State Univ Chico    | Chico    | University-College Dept/Facility/Office |
| Cascade Auto Glass             | Chico    | Automobile Glass Service & Installation |
| Chico High School              | Chico    | Schools                                 |
| Enloe Homecare                 | Chico    | Hospices                                |
| Enloe Medical Ctr              | Chico    | Physical Therapists                     |
| Enloe Medical Ctr              | Chico    | Hospitals                               |
| Enloe Medical Ctr Chico-Vlntr  | Chico    | Social Service & Welfare Organizations  |
| Firestorm Wildland Fire        | Chico    | Fire Protection Consultants             |
| Gold County Casino Resort      | Oroville | Casinos                                 |
| Knife River Construction       | Chico    | Construction Materials NEC (whls)       |
| Pacific Coast Producers        | Oroville | Canning (mfrs)                          |
| Propacific Fresh               | Durham   | Food Service-Distributors (whls)        |
| S-S Organic Produce-Natrl      | Chico    | Fruits & Vegetables-Wholesale           |
| United Healthcare              | Chico    | Medical Insurance Plans                 |
| Walmart                        | Chico    | Department Stores                       |
| Walmart Supercenter            | Oroville | Department Stores                       |
| Wayfinder Family Svc           | Chico    | Services NEC                            |
| Wehah Farm Inc                 | Richvale | Rice Mills (mfrs)                       |
| Wil-Ker-Son Ranch & Packing Co | Gridley  | Fruits & Vegetables-Growers & Shippers  |
| Windsor Chico Creek Care-Rehab | Chico    | Nursing & Convalescent Homes            |
| Wittmeier Chevrolet            | Chico    | Automobile Dealers-New Cars             |
| Work Training Ctr.             | Chico    | Disability Services                     |

Source: *California Employment Development Department*, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2025 1<sup>st</sup> Edition, last updated March 2024

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## Income

The following table summarize the per capita personal income for the County, the State of California, and the United States from 2019 through 2023, the most recent data available.

### **PERSONAL INCOME Butte County, State of California, and United States Calendar Years of 2019 through 2023**

| Year | Butte County | California      | United States    |
|------|--------------|-----------------|------------------|
| 2019 | \$ 9,925,301 | \$2,539,747,399 | \$18,349,584,000 |
| 2020 | 10,785,642   | 2,769,103,047   | 19,600,945,000   |
| 2021 | 11,541,913   | 3,009,556,560   | 21,403,979,000   |
| 2022 | 11,189,969   | 3,003,826,087   | 22,077,232,000   |
| 2023 | 11,777,188   | 3,166,135,354   | 23,380,262,000   |

*Source: U.S. Bureau of Economic Analysis, SAINCI State annual personal income summary: personal income, population, per capita personal income and CAINCI County and MSA personal income summary: personal income, population, per capita personal income (accessed Monday, December 16, 2024).*

### **PER CAPITA PERSONAL INCOME<sup>(1)</sup> Butte County, State of California, and the United States Calendar Years of 2019 through 2023**

| Year | Butte County | California | United States |
|------|--------------|------------|---------------|
| 2019 | \$45,907     | \$64,219   | \$55,566      |
| 2020 | 51,323       | 70,098     | 59,153        |
| 2021 | 55,937       | 76,882     | 64,460        |
| 2022 | 53,962       | 76,941     | 66,244        |
| 2023 | 56,847       | 81,255     | 69,810        |

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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## Commercial Activity

A summary of taxable sales within the County from 2019 through 2023, the most recent data available, is shown in the following table.

### VALUATION OF TAXABLE TRANSACTIONS Butte County Fiscal Years 2019 through 2023

| Year | Retail and Food<br>Permits | Retail and Food<br>Taxable<br>Transactions | Total Permits | Total Outlets<br>Taxable<br>Transactions |
|------|----------------------------|--|---------------|--|
| 2019 | 4,348                      | \$2,685,911,477                            | 7,029         | \$3,795,302,027                          |
| 2020 | 4,455                      | 2,687,958,781                              | 7,295         | 3,865,177,713                            |
| 2021 | 3,953                      | 3,057,175,097                              | 6,584         | 4,487,628,244                            |
| 2022 | 4,009                      | 3,141,028,195                              | 6,676         | 4,699,802,779                            |
| 2023 | 3,896                      | 2,950,530,334                              | 6,561         | 4,372,814,977                            |

Source: *California Department of Tax and Fee Administration*,  
Taxable Sales - Counties by Type of Business (Taxable Table 3), last updated October 1, 2024.

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## APPENDIX C

### PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

\_\_\_\_\_, 2025

Board of Trustees  
Paradise Unified School District  
6696 Clark Road  
Paradise, California 95969

**APPROVING OPINION:** \$\_\_\_\_\_ 2025 Certificates of Participation Evidencing the Fractional Interests of the Owners thereof in Lease Payments to be Made by the Paradise Unified School District (Butte County, California)

Members of the Board:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the Paradise Unified School District (the “District”) in connection with the authorization, execution and delivery by the District of that certain Lease Agreement, dated as of April 1, 2025 (the “Lease”), by and between the Public Property Financing Corporation of California (the “Corporation”) and the District. We have also reviewed that certain Trust Agreement, dated as of April 1, 2025 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District. All capitalized terms used herein shall have the meaning given them in the Trust Agreement unless otherwise defined.

Pursuant to the Trust Agreement, the Trustee will execute and deliver the \$\_\_\_\_\_ aggregate principal amount of 2025 Certificates of Participation (the “Certificates”) evidencing undivided proportionate interests of the owners of the Certificates in lease payments (the “Lease Payments”) to be made by the District pursuant to the Lease. Pursuant to that certain Assignment Agreement, dated as of April 1, 2025 (the “Assignment Agreement”), the Corporation has assigned to the Trustee the Corporation’s right to receive Lease Payments and certain other amounts paid by the District under the Lease.

The Certificates are dated their date of delivery. The Certificates mature on the dates and in the amounts set forth in the Trust Agreement. Interest due with respect to the Certificates is payable on the dates and at the rates per annum set forth in the Trust Agreement. The Certificates are registered Certificates in the form set forth in the Trust Agreement and are subject to optional and extraordinary prepayment prior to maturity in the manner and upon the terms set forth in the Trust Agreement.

In rendering the opinions set forth below, we have examined certified copies of the proceedings of the District and the Corporation, and other information submitted to us relative to the execution and delivery of the Certificates. We have examined originals, or copies identified to our satisfaction as being true copies, of the Trust Agreement, the Lease, the Site Lease, dated April 1, 2025 (the “Site Lease”), by and between the Corporation and the District, the resolutions of the District and the Corporation adopted with respect to the Certificates, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraph of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest due with respect to the Certificates to be included in gross income for federal income tax purposes.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The District is duly organized and legally existing under the laws of the State of California.

(2) The obligation of the District to pay Lease Payments in accordance with the terms of the Lease is a legal, valid and binding obligation payable from the funds of the District lawfully available therefor, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against school districts in the State of California. The obligation of the District to make Lease Payments under the Lease does not constitute a debt of the District, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the District, the State of California or any political subdivision thereof.

(3) The Lease, the Site Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute valid and legally binding agreements of the District enforceable against the District in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against school districts in the State of California, except that we express no opinion as to any provisions in the Lease or the Trust Agreement with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(4) Interest with respect to the Certificates is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

(5) Interest with respect to the Certificates is exempt from personal income taxes of the State of California.

Ownership of tax-exempt obligations such as the Certificates may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Certificates or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement and the Tax Certificate and other documents related to the Certificates may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of the portion of each Certificate constituting interest if any such change occurs or action is taken or omitted upon advice or approval of counsel other than Dannis Woliver Kelley.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Lease, the Site Lease and the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

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 not taken) or do occur (or do not occur). Our engagement as Special Counsel terminates upon the execution and delivery of the Certificates.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Preliminary Official Statement relating to the Certificates or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Preliminary Official Statement.

Respectfully submitted,

DANNIS WOLIVER KELLEY

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**APPENDIX D**

**DISTRICT'S AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2024**

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# **Paradise Unified School District**

**County of Butte  
Paradise, California**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORTS**

**June 30, 2024**



# Paradise Unified School District

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Paradise Unified School District  
Paradise, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paradise Unified School District (the District) as of and for the year ended June 30, 2024; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## INDEPENDENT AUDITORS' REPORT

(Continued)

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule, and the required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 76 to 83, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 76 to 83 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

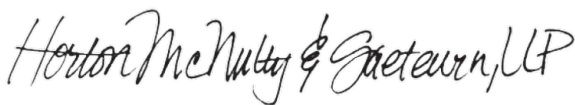
### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the local educational agency organization structure but does not include the basic financial statements or our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of 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.



February 7, 2025  
Chico, California

## **FINANCIAL SECTION**

## **Required Supplementary Information**

## **Paradise Unified School District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

This section of the Paradise Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the year that ended on June 30, 2024. Please read it in conjunction with the Independent Auditors' Report, and the District's financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### **FINANCIAL HIGHLIGHTS**

- Total net position was \$162,486,440 at June 30, 2024. This was an increase of \$6,803,423 from the prior year.
- Overall revenues and extraordinary item totaled \$47,118,369 and were greater than expenses of \$40,314,946 by \$6,803,423. A significant portion of the increase was related to the extraordinary item and the decrease in maintenance and operations costs.
- Capital assets, net of depreciation, increased by \$31,209,337. A significant portion is attributed to replacing buildings and equipment that were destroyed in the Camp Fire.
- The District maintains sufficient reserves for a district of its size. It meets the state required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). During the fiscal year, General Fund expenditures and other financing uses totaled \$37,269,591. At June 30, 2024, the District had available reserves of \$1,128,590 in the General Fund, which represents a reserve of 3%.
- GASB Statement No. 68 requires recognition of the District's proportionate share of the unfunded net pension liability in the State Teachers' (CalSTRS) and Public Employees' (CalPERS) retirement plans. Districts must also report their proportionate share of accrual- basis pension expense, and their proportionate share of deferred items for unamortized changes in the plans' total pension liability due to factors such as changes in actuarial assumptions or differences between actuarial assumptions and actual experience. The District's proportionate share of the net pension liability in these plans as of June 30, 2024, was \$21,690,020.



# **Paradise Unified School District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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### **THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. They are comprised of the remaining statements.
  - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
  - Proprietary funds statements offer short- and long-term financial information about the activities the District operates like a business.
  - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements. The District has no activities of this kind.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

### **REPORTING THE DISTRICT AS A WHOLE**

The District as a whole is reported in the District-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position can be measured by the difference between the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

# Paradise Unified School District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

***Governmental Activities*** The basic services provided by the District, such as regular and special education, adult education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition is also included here, but is financed by a combination of state and federal contracts and grants, as well as local revenues.

***Business-Type Activities*** The District charges fees to help cover the costs of the services it provides. Childcare services that are beyond the scope of normal District operations are included in this type of activity.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The District's fund based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

#### Governmental Funds

The major governmental fund of the District is the General Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

#### Proprietary Funds

Services for which the District charges a fee are generally reported in the proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as the government-wide financial statements; therefore, no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has one Enterprise fund and no Internal Service funds.

#### Fiduciary Funds

The District is the trustee, or fiduciary. All of the District's fiduciary activities are reported in separate Fiduciary Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District has no activities of this kind.

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's net position was \$162,486,440 as of the fiscal year ended June 30, 2024. Of this amount, \$1,288,996 was unrestricted. Restricted net position is reported separately if it is not available for day-to-day operations or its use is constrained to a particular purpose by statutes, rules or other entities with authority over the District.

The District's net position increased by \$6,803,423 during the fiscal year 2023-24.

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**Table 1: Statement of Net Position – Governmental Activities**

| June 30  | Governmental Activities |                       | Business-Type Activities |                 | District Totals       |                       | Total             |
|--|-------------------------|-----------------------|--------------------------|-----------------|-----------------------|-----------------------|-------------------|
|  | 2023                    | 2024                  | 2023                     | 2024            | 2023                  | 2024                  | Percentage Change |
| <b>ASSETS</b>                                  |                         |                       |                          |                 |                       |                       |                   |
| Cash and investments                           | \$ 86,353,969           | \$ 53,212,410         | \$ 1,006                 | \$ 1,057        | \$ 86,354,975         | \$ 53,213,467         | -38.38%           |
| Receivables                                    | 4,832,106               | 2,496,455             | -                        | -               | 4,832,106             | 2,496,455             | -48.34%           |
| Inventories                                    | 47,683                  | 40,349                | -                        | -               | 47,683                | 40,349                | -15.38%           |
| Capital assets - net                           | 144,922,697             | 176,132,034           | -                        | -               | 144,922,697           | 176,132,034           | 21.54%            |
| <b>TOTAL ASSETS</b>                            | <b>236,156,455</b>      | <b>231,881,248</b>    | <b>1,006</b>             | <b>1,057</b>    | <b>236,157,461</b>    | <b>231,882,305</b>    | <b>-1.81%</b>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>          | <b>6,405,381</b>        | <b>8,475,438</b>      | <b>-</b>                 | <b>-</b>        | <b>6,405,381</b>      | <b>8,475,438</b>      | <b>32.32%</b>     |
| <b>LIABILITIES</b>                             |                         |                       |                          |                 |                       |                       |                   |
| Accounts payable and other current liabilities | 15,521,402              | 9,530,190             | -                        | -               | 15,521,402            | 9,530,190             | -38.60%           |
| Advances from grantors                         | 2,895,037               | 1,766,824             | -                        | -               | 2,895,037             | 1,766,824             | -38.97%           |
| Long-term liabilities:                         |                         |                       |                          |                 |                       |                       |                   |
| Due within one year                            | 1,010,643               | 892,487               | -                        | -               | 1,010,643             | 892,487               | -11.69%           |
| Due in more than one year                      | 55,775,020              | 57,116,736            | -                        | -               | 55,775,020            | 57,116,736            | 2.41%             |
| <b>TOTAL LIABILITIES</b>                       | <b>75,202,102</b>       | <b>69,306,237</b>     | <b>-</b>                 | <b>-</b>        | <b>75,202,102</b>     | <b>69,306,237</b>     | <b>-7.84%</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           | <b>11,677,723</b>       | <b>8,565,066</b>      | <b>-</b>                 | <b>-</b>        | <b>11,677,723</b>     | <b>8,565,066</b>      | <b>-26.65%</b>    |
| <b>NET POSITION</b>                            |                         |                       |                          |                 |                       |                       |                   |
| Net investment in capital assets               | 120,808,494             | 145,833,613           | -                        | -               | 120,808,494           | 145,833,613           | 20.71%            |
| Restricted                                     | 22,345,074              | 15,363,831            | -                        | -               | 22,345,074            | 15,363,831            | -31.24%           |
| Unrestricted                                   | 12,528,443              | 1,287,939             | 1,006                    | 1,057           | 12,529,449            | 1,288,996             | -89.71%           |
| <b>TOTAL NET POSITION</b>                      | <b>\$ 155,682,011</b>   | <b>\$ 162,485,383</b> | <b>\$ 1,006</b>          | <b>\$ 1,057</b> | <b>\$ 155,683,017</b> | <b>\$ 162,486,440</b> | <b>4.37%</b>      |

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**Table 2: Changes in Net Position From Operating Results – Governmental Activities**

| Years Ended June 30                    | Governmental Activities |                     | Business-Type Activities |              | District Totals      |                     | Total             |
|--|-------------------------|---------------------|--------------------------|--------------|----------------------|---------------------|-------------------|
|  | 2023                    | 2024                | 2023                     | 2024         | 2023                 | 2024                | Percentage Change |
| <b>Revenues</b>                        |                         |                     |                          |              |                      |                     |                   |
| Program revenues:                      |                         |                     |                          |              |                      |                     |                   |
| Charges for services                   | \$ 629,542              | \$ 1,006,681        | \$ -                     | \$ -         | \$ 629,542           | \$ 1,006,681        | 59.91%            |
| Operating grants and contributions     | 16,111,683              | 15,811,880          | -                        | -            | 16,111,683           | 15,811,880          | -1.86%            |
| General revenues:                      |                         |                     |                          |              |                      |                     |                   |
| Unrestricted federal and state sources | 14,059,194              | 13,114,186          | -                        | -            | 14,059,194           | 13,114,186          | -6.72%            |
| Property taxes                         | 9,613,212               | 11,058,692          | -                        | -            | 9,613,212            | 11,058,692          | 15.04%            |
| Other                                  | 2,937,141               | 4,188,879           | 16                       | 51           | 2,937,157            | 4,188,930           | 42.62%            |
| <b>Total Revenues</b>                  | <b>43,350,772</b>       | <b>45,180,318</b>   | <b>16</b>                | <b>51</b>    | <b>43,350,788</b>    | <b>45,180,369</b>   | <b>4.22%</b>      |
| <b>Extraordinary Item</b>              | <b>10,790,468</b>       | <b>1,938,000</b>    | <b>-</b>                 | <b>-</b>     | <b>10,790,468</b>    | <b>1,938,000</b>    | <b>-82.04%</b>    |
| <b>Expenses</b>                        |                         |                     |                          |              |                      |                     |                   |
| Instruction                            | 19,270,446              | 21,240,804          | -                        | -            | 19,270,446           | 21,240,804          | 10.22%            |
| Pupil and instruction-related services | 6,257,771               | 9,044,553           | -                        | -            | 6,257,771            | 9,044,553           | 44.53%            |
| Administration and business            | 2,820,735               | 3,553,078           | -                        | -            | 2,820,735            | 3,553,078           | 25.96%            |
| Maintenance and operations             | 9,456,357               | 4,633,546           | -                        | -            | 9,456,357            | 4,633,546           | -51.00%           |
| Other outgo                            | 1,669,128               | 1,842,965           | -                        | -            | 1,669,128            | 1,842,965           | 10.41%            |
| <b>Total Expenses</b>                  | <b>39,474,437</b>       | <b>40,314,946</b>   | <b>-</b>                 | <b>-</b>     | <b>39,474,437</b>    | <b>40,314,946</b>   | <b>2.13%</b>      |
| <b>Change in Net Position</b>          | <b>\$ 14,666,803</b>    | <b>\$ 6,803,372</b> | <b>\$ 16</b>             | <b>\$ 51</b> | <b>\$ 14,666,819</b> | <b>\$ 6,803,423</b> | <b>-53.61%</b>    |

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**Governmental Activities**

- The net cost of the District's governmental activities for the year was \$23,496,385.
- The federal and state governments subsidized certain programs with operating grants and contributions (\$15,811,880 or 35.00% of total revenues).
- The District's expenses are predominately related to educating and caring for students (75.12%).
- Administrative activities accounted for just 8.81% of total costs. The remaining expenses were for plant services (maintenance and operations), ancillary services, interest on long-term debt, and other outgo.
- A significant portion of the District's costs were financed by local property taxes (\$11,058,692) and federal and state taxpayers (\$13,114,186).

Table 3 presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that is placed on the District's general revenues.

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**Table 3: Net Cost of Governmental Activities**

| Years Ended June 30          | Total Cost of Services |               | Percentage Change |
|------------------------------|------------------------|---------------|-------------------|
|                              | 2023                   | 2024          |                   |
| GOVERNMENTAL ACTIVITIES      |                        |               |                   |
| Instruction                  | \$ 19,270,446          | \$ 21,240,804 | 10.22%            |
| Instruction-related services | 2,133,198              | 2,639,882     | 23.75%            |
| Pupil services               | 3,656,178              | 5,882,434     | 60.89%            |
| General administration       | 2,820,735              | 3,553,078     | 25.96%            |
| Maintenance and operations   | 9,456,357              | 4,633,546     | -51.00%           |
| Ancillary services           | 468,395                | 522,237       | 11.49%            |
| Interest on long-term debt   | 920,524                | 1,150,624     | 25.00%            |
| Other outgo                  | 748,604                | 692,341       | -7.52%            |
| Totals                       | \$ 39,474,437          | \$ 40,314,946 | 2.13%             |
| BUSINESS-TYPE ACTIVITIES     |                        |               |                   |
| Other outgo                  | \$ -                   | \$ -          | N/A               |

| Years Ended June 30          | Net Cost of Services |               | Percentage Change |
|------------------------------|----------------------|---------------|-------------------|
|                              | 2023                 | 2024          |                   |
| GOVERNMENTAL ACTIVITIES      |                      |               |                   |
| Instruction                  | \$ 7,257,279         | \$ 10,277,631 | 41.62%            |
| Instruction-related services | 1,496,809            | 2,100,072     | 40.30%            |
| Pupil services               | 1,044,610            | 2,206,177     | 111.20%           |
| General administration       | 1,966,031            | 2,893,409     | 47.17%            |
| Maintenance and operations   | 9,415,260            | 4,585,782     | -51.29%           |
| Ancillary services           | 282,726              | 359,355       | 27.10%            |
| Interest on long-term debt   | 920,524              | 1,150,624     | 25.00%            |
| Other outgo                  | 349,973              | (76,665)      | -121.91%          |
| Totals                       | \$ 22,733,212        | \$ 23,496,385 | 3.36%             |
| BUSINESS-TYPE ACTIVITIES     |                      |               |                   |
| Other outgo                  | \$ -                 | \$ -          | N/A               |

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**Governmental Funds**

The District's governmental funds reported a combined fund balance of \$44,997,450, a decrease of \$28,378,452 from the previous year.

**Table 4: Governmental Fund Balances**

| Years Ended June 30                | 2023                 | 2024                 | Increase<br>(Decrease) |
|------------------------------------|----------------------|----------------------|------------------------|
| General                            | \$ 30,282,063        | \$ 31,041,832        | \$ 759,769             |
| Student Activities Special Revenue | 200,978              | 189,027              | (11,951)               |
| Charter Schools                    | 986                  | 1,036                | 50                     |
| Adult Education                    | 127,261              | 206,843              | 79,582                 |
| Cafeteria Special Revenue          | 1,144,205            | 1,793,600            | 649,395                |
| Building                           | 7,848,557            | 703,696              | (7,144,861)            |
| Capital Facilities                 | 329,154              | 215,290              | (113,864)              |
| County School Facilities           | 718,968              | 755,114              | 36,146                 |
| Special Reserve Capital Projects   | 29,249,312           | 6,628,426            | (22,620,886)           |
| Bond Interest and Redemption       | 3,473,472            | 3,461,592            | (11,880)               |
| Debt Service                       | 946                  | 994                  | 48                     |
| <b>Totals</b>                      | <b>\$ 73,375,902</b> | <b>\$ 44,997,450</b> | <b>\$ (28,378,452)</b> |

The increase in the General Fund is primarily related to one-time funds for future District needs.

The increase in the Cafeteria Special Revenue Fund is due to an increase in student meals.

The decrease in the Building Fund is due to the use of funds for facilities projects.

The decrease in the Capital Facilities Fund is due to expenditures for capital projects being more than developer fees collected for the year.

The decrease in the Special Reserve Capital Projects Fund is due to expenditures for significant ongoing construction to rebuild due to the Camp Fire, offset by the extraordinary item.



**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revises its annual budget on updated financial information. The original budget, approved at the end of June for July 1, is based on the Governor's May Revise. Not later than 45 days after the state budget is adopted, school districts are required to make available for public review any revisions in revenues and expenditures that it makes to its budget to reflect the funding made available by the state budget. The budget amendments for the year typically fell into the following categories:

- Adjustment of revenue to actual enrollment and ADA data.
- Inclusion of new grants.
- Addition of grant and entitlement funds from the prior year.

The District's original and final budgets compared with actual operations are provided in the budgetary comparison schedule for the General Fund.

The District's final budget for the General Fund anticipated that expenditures and transfers out would exceed revenues and transfers in by \$3,507,425. The actual results for the year show an increase in fund balance of \$759,769.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long-term debt.

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**Capital Assets**

As of June 30, 2024, the District had invested \$176,132,034 in a broad range of capital assets, including school buildings, land, athletic facilities, furniture, computer equipment, and a broad assortment of school building projects, as well as other items. This amount represents an increase, net of depreciation, of \$31,209,337 from last year. This increase is due primarily to depreciation expense netted against capital asset additions which consists of various equipment purchases and construction projects as the rebuilding after the Camp Fire continues.

**Table 5: Capital Assets – Governmental Funds**

| Years Ended June 30      | Governmental Activities |                | Total<br>Percentage<br>Change |
|--------------------------|-------------------------|----------------|-------------------------------|
|                          | 2023                    | 2024           |                               |
| Land                     | \$ 1,571,268            | \$ 1,709,827   | 8.82%                         |
| Site improvements        | 4,474,209               | 4,474,209      | 0.00%                         |
| Buildings                | 91,134,368              | 87,899,868     | -3.55%                        |
| Equipment and vehicles   | 7,009,930               | 10,105,995     | 44.17%                        |
| Construction in progress | 66,899,836              | 97,898,692     | 46.34%                        |
| <b>Subtotal</b>          | 171,089,611             | 202,088,591    | 18.12%                        |
| Accumulated depreciation | (26,166,914)            | (25,956,557)   | -0.80%                        |
| <b>Totals</b>            | \$ 144,922,697          | \$ 176,132,034 | 21.54%                        |

**Long-Term Debt**

At year end, the District had \$58,009,223 in long-term liabilities at June 30, 2024, as show in the table below.

The District increased net long-term obligations by \$1,223,560. This net increase has primarily been a result of changes in the total OPEB obligation and net pension liability.

The total OPEB obligation is the estimated liability to fund future retiree health benefits for current and future retirees.

The net pension liability represents the District's prorated share of the unfunded pension liability that exists within the CalSTRS and CalPERS retirement plans.

**Paradise Unified School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**Table 6: Long-Term Debt – Governmental Funds**

| Years Ended June 30      | Governmental Activities |                      | Total<br>Percentage<br>Change |
|--------------------------|-------------------------|----------------------|-------------------------------|
|                          | 2023                    | 2024                 |                               |
| Compensated absences     | \$ 156,891              | \$ 146,145           | -6.85%                        |
| General obligation bonds | 29,500,000              | 28,700,000           | -2.71%                        |
| Bond issuance premiums   | 2,462,760               | 2,302,117            | -6.52%                        |
| Total OPEB liability     | 4,039,037               | 5,170,941            | 28.02%                        |
| Net pension liability    | 20,626,975              | 21,690,020           | 5.15%                         |
| <b>Totals</b>            | <b>\$ 56,785,663</b>    | <b>\$ 58,009,223</b> | <b>2.15%</b>                  |

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of future enrollment projections, which may significantly affect its financial health in the future. Enrollment for the following years 2024-25, 2025-26, and 2026-27 are expected to increase 5%, 5%, and 4%, respectively.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

David McCready, Assistant Superintendent, Business Services  
Paradise Unified School District  
6696 Clark Road, Paradise, California 95969  
(530) 872-6400

## **Basic Financial Statements**

**Paradise Unified School District**  
**STATEMENT OF NET POSITION**

| June 30, 2024                                  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                  |                            |                             |                       |
| Cash and investments                           | \$ 53,212,410              | \$ 1,057                    | \$ 53,213,467         |
| Accounts receivable                            | 774,231                    | -                           | 774,231               |
| Due from other governments                     | 1,722,224                  | -                           | 1,722,224             |
| Inventories                                    | 40,349                     | -                           | 40,349                |
| Nondepreciated capital assets                  | 99,608,519                 | -                           | 99,608,519            |
| Depreciated capital assets                     | 102,480,072                | -                           | 102,480,072           |
| Accumulated depreciation                       | (25,956,557)               | -                           | (25,956,557)          |
| <b>TOTAL ASSETS</b>                            | <b>231,881,248</b>         | <b>1,057</b>                | <b>231,882,305</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>          |                            |                             |                       |
| Deferred outflows of resources for pensions    | 6,412,375                  | -                           | 6,412,375             |
| Deferred outflows of resources for OPEB        | 2,063,063                  | -                           | 2,063,063             |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>    | <b>8,475,438</b>           | <b>-</b>                    | <b>8,475,438</b>      |
| <b>LIABILITIES</b>                             |                            |                             |                       |
| Accounts payable and other current liabilities | 8,735,065                  | -                           | 8,735,065             |
| Due to other governments                       | 795,125                    | -                           | 795,125               |
| Advances from grantors                         | 1,766,824                  | -                           | 1,766,824             |
| Long-term obligations:                         |                            |                             |                       |
| Due within one year                            | 892,487                    | -                           | 892,487               |
| Due beyond one year                            | 57,116,736                 | -                           | 57,116,736            |
| <b>TOTAL LIABILITIES</b>                       | <b>69,306,237</b>          | <b>-</b>                    | <b>69,306,237</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                            |                             |                       |
| Deferred inflows of resources for pensions     | 6,522,455                  | -                           | 6,522,455             |
| Deferred inflows of resources for OPEB         | 2,042,611                  | -                           | 2,042,611             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>     | <b>8,565,066</b>           | <b>-</b>                    | <b>8,565,066</b>      |
| <b>NET POSITION</b>                            |                            |                             |                       |
| Net investment in capital assets               | 145,833,613                | -                           | 145,833,613           |
| Restricted for capital projects                | 1,674,100                  | -                           | 1,674,100             |
| Restricted for debt service                    | 3,462,586                  | -                           | 3,462,586             |
| Restricted for educational programs            | 8,284,867                  | -                           | 8,284,867             |
| Restricted for other purposes                  | 1,942,278                  | -                           | 1,942,278             |
| Unrestricted                                   | 1,287,939                  | 1,057                       | 1,288,996             |
| <b>TOTAL NET POSITION</b>                      | <b>\$ 162,485,383</b>      | <b>\$ 1,057</b>             | <b>\$ 162,486,440</b> |

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

**Paradise Unified School District**  
STATEMENT OF ACTIVITIES

| Year Ended June 30, 2024                                  | Program Revenues |                      |                                    | Net (Expense) Revenue and Change in Net Position |                          |                 |
|---|------------------|----------------------|------------------------------------|--|--------------------------|-----------------|
|   | Expenses         | Charges for Services | Operating Grants and Contributions | Governmental Activities                          | Business-Type Activities | Total           |
| <b>FUNCTIONS/PROGRAMS</b>                                 |                  |                      |                                    |  |                          |                 |
| <b>Primary Government</b>                                 |                  |                      |                                    |  |                          |                 |
| Governmental activities:                                  |                  |                      |                                    |  |                          |                 |
| Instruction   | \$ 21,240,804    | \$ 654,179           | \$ 10,308,994                      | \$ (10,277,631)                                  | \$ -                     | \$ (10,277,631) |
| Instruction-related services                              | 2,639,882        | 23,854               | 515,956                            | (2,100,072)                                      | -                        | (2,100,072)     |
| Pupil services  | 5,882,434        | 246,551              | 3,429,706                          | (2,206,177)                                      | -                        | (2,206,177)     |
| Ancillary services  | 522,237          | 8,326                | 154,556                            | (359,355)  | -                        | (359,355)       |
| General administration                                    | 3,553,078        | 2,969                | 656,700                            | (2,893,409)                                      | -                        | (2,893,409)     |
| Plant services  | 4,633,546        | 1,369                | 46,395                             | (4,585,782)                                      | -                        | (4,585,782)     |
| Other outgo   | 692,341          | 69,433               | 699,573                            | 76,665   | -                        | 76,665          |
| Interest on long-term debt                                | 1,150,624        | -                    | -                                  | (1,150,624)                                      | -                        | (1,150,624)     |
| <b>Total Governmental Activities</b>                      | \$ 40,314,946    | \$ 1,006,681         | \$ 15,811,880                      | \$ (23,496,385)                                  | \$ -                     | \$ (23,496,385) |
| <b>Business-Type Activities - Enterprise Activities</b>   | -                | -                    | -                                  | -  | -                        | -               |
| <b>Total Primary Government</b>                           | \$ 40,314,946    | \$ 1,006,681         | \$ 15,811,880                      | (23,496,385)                                     | -                        | (23,496,385)    |
| <b>GENERAL REVENUES AND TRANSFERS</b>                     |                  |                      |                                    |  |                          |                 |
| Property taxes - levied for general purposes              |                  |                      |                                    | 9,084,337  | -                        | 9,084,337       |
| Property taxes - levied for debt service                  |                  |                      |                                    | 1,965,549  | -                        | 1,965,549       |
| Property taxes - levied for other specific purposes       |                  |                      |                                    | 8,806  | -                        | 8,806           |
| Federal and state aid not restricted to specific purposes |                  |                      |                                    | 13,114,186                                       | -                        | 13,114,186      |
| Unrestricted investment earnings                          |                  |                      |                                    | 3,864,579  | 51                       | 3,864,630       |
| Interagency revenues                                      |                  |                      |                                    | 47,942   | -                        | 47,942          |
| Miscellaneous   |                  |                      |                                    | 276,358  | -                        | 276,358         |
| <b>TOTAL GENERAL REVENUES AND TRANSFERS</b>               |                  |                      |                                    | 28,361,757                                       | 51                       | 28,361,808      |
| <b>Extraordinary Item</b>                                 |                  |                      |                                    | 1,938,000  | -                        | 1,938,000       |
| <b>Change in Net Position</b>                             |                  |                      |                                    | 6,803,372  | 51                       | 6,803,423       |
| <b>Net Position - Beginning of Year</b>                   |                  |                      |                                    | 155,682,011                                      | 1,006                    | 155,683,017     |
| <b>Net Position - End of Year</b>                         |                  |                      |                                    | \$ 162,485,383                                   | \$ 1,057                 | \$ 162,486,440  |

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

**Paradise Unified School District**  
BALANCE SHEET – GOVERNMENTAL FUNDS

| June 30, 2024                                  | General Fund         | Building Fund     | Special Reserve Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------|---------------------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                  |                      |                   |                                       |                          |                          |
| Cash and investments                           | \$ 33,542,840        | \$ 699,140        | \$ 12,605,858                         | \$ 6,364,572             | \$ 53,212,410            |
| Accounts receivable                            | 769,675              | 4,556             | -                                     | -                        | 774,231                  |
| Due from other governments                     | 1,433,345            | -                 | -                                     | 288,879                  | 1,722,224                |
| Due from other funds                           | 50,952               | -                 | -                                     | -                        | 50,952                   |
| Inventories                                    | -                    | -                 | -                                     | 40,349                   | 40,349                   |
| <b>TOTAL ASSETS</b>                            | <b>\$ 35,796,812</b> | <b>\$ 703,696</b> | <b>\$ 12,605,858</b>                  | <b>\$ 6,693,800</b>      | <b>\$ 55,800,166</b>     |
| <b>LIABILITIES AND FUND BALANCES</b>           |                      |                   |                                       |                          |                          |
| <b>Liabilities</b>                             |                      |                   |                                       |                          |                          |
| Accounts payable and other current liabilities | \$ 2,193,031         | \$ -              | \$ 5,977,432                          | \$ 19,352                | \$ 8,189,815             |
| Due to other governments                       | 795,125              | -                 | -                                     | -                        | 795,125                  |
| Due to other funds                             | -                    | -                 | -                                     | 50,952                   | 50,952                   |
| Advances from grantors                         | 1,766,824            | -                 | -                                     | -                        | 1,766,824                |
| <b>Total Liabilities</b>                       | <b>4,754,980</b>     | <b>-</b>          | <b>5,977,432</b>                      | <b>70,304</b>            | <b>10,802,716</b>        |
| <b>Fund Balances</b>                           |                      |                   |                                       |                          |                          |
| Nonspendable                                   | -                    | -                 | -                                     | 40,349                   | 40,349                   |
| Restricted                                     | 8,082,806            | 703,696           | -                                     | 6,577,329                | 15,363,831               |
| Assigned                                       | 21,830,436           | -                 | 6,628,426                             | 5,818                    | 28,464,680               |
| Unassigned                                     | 1,128,590            | -                 | -                                     | -                        | 1,128,590                |
| <b>Total Fund Balances</b>                     | <b>31,041,832</b>    | <b>703,696</b>    | <b>6,628,426</b>                      | <b>6,623,496</b>         | <b>44,997,450</b>        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>     | <b>\$ 35,796,812</b> | <b>\$ 703,696</b> | <b>\$ 12,605,858</b>                  | <b>\$ 6,693,800</b>      | <b>\$ 55,800,166</b>     |

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

## Paradise Unified School District

### RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2024

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|   |                      |
|---|----------------------|
| <b>Total Fund Balances - Governmental Funds</b> | <b>\$ 44,997,450</b> |
|---|----------------------|

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

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

|                                   |                |
|-----------------------------------|----------------|
| Capital assets at historical cost | \$ 202,088,591 |
| Accumulated depreciation          | (25,956,557)   |

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|                                   |                    |
|-----------------------------------|--------------------|
| <b>Total Capital Assets - Net</b> | <b>176,132,034</b> |
|-----------------------------------|--------------------|

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

(545,250)

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

|                          |               |
|--------------------------|---------------|
| General obligation bonds | \$ 31,002,117 |
| Net pension liability    | 21,690,020    |
| Total OPEB liability     | 5,170,941     |
| Compensated absences     | 146,145       |

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|                                    |                     |
|------------------------------------|---------------------|
| <b>Total Long-Term Liabilities</b> | <b>(58,009,223)</b> |
|------------------------------------|---------------------|

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

|   |             |
|---|-------------|
| Deferred outflows of resources relating to pensions | 6,412,375   |
| Deferred inflows of resources relating to pensions  | (6,522,455) |

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|                        |                       |
|------------------------|-----------------------|
| <b>Balance Forward</b> | <b>\$ 162,464,931</b> |
|------------------------|-----------------------|

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



## Paradise Unified School District

### RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION (Continued)

June 30, 2024

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|                                |                |
|--------------------------------|----------------|
| <b>Balance Brought Forward</b> | \$ 162,464,931 |
|--------------------------------|----------------|

Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position deferred outflows and inflows of resources relating to OPEB are reported:

|   |             |
|---|-------------|
| Deferred outflows of resources relating to OPEB | 2,063,063   |
| Deferred inflows of resources relating to OPEB  | (2,042,611) |

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|   |                       |
|---|-----------------------|
| <b>Total Net Position - Governmental Activities</b> | <b>\$ 162,485,383</b> |
|---|-----------------------|

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

# Paradise Unified School District

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

| Year Ended June 30, 2024                                 | General Fund      | Building Fund         | Special Reserve Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------|---------------------------------------|--------------------------|--------------------------|
| <b>Revenues</b>  |                   |                       |                                       |                          |                          |
| Property taxes   | \$ 9,084,337      | \$ -                  | \$ -                                  | \$ 1,965,549             | \$ 11,049,886            |
| Local control funding formula sources                    | 12,666,731        | -                     | -                                     | -                        | 12,666,731               |
| Other state revenue                                      | 5,129,192         | -                     | -                                     | 921,196                  | 6,050,388                |
| Federal revenue  | 6,582,533         | -                     | -                                     | 1,617,225                | 8,199,758                |
| Other local revenue                                      | 4,566,567         | 488,664               | 1,893,675                             | 613,842                  | 7,562,748                |
| <b>Total Revenues</b>                                    | <b>38,029,360</b> | <b>488,664</b>        | <b>1,893,675</b>                      | <b>5,117,812</b>         | <b>45,529,511</b>        |
| <b>Expenditures</b>                                      |                   |                       |                                       |                          |                          |
| Current:   |                   |                       |                                       |                          |                          |
| Instruction  | 21,424,521        | -                     | -                                     | 46,734                   | 21,471,255               |
| Instruction-related services                             | 2,936,500         | -                     | -                                     | 15,923                   | 2,952,423                |
| Pupil services   | 4,052,514         | -                     | -                                     | 1,756,794                | 5,809,308                |
| Ancillary services                                       | 397,524           | -                     | -                                     | 137,324                  | 534,848                  |
| General administration                                   | 3,577,963         | -                     | -                                     | 41,277                   | 3,619,240                |
| Plant services   | 3,418,057         | 64,858                | 3,890,598                             | -                        | 7,373,513                |
| Transfers between agencies                               | 692,341           | -                     | -                                     | -                        | 692,341                  |
| Debt service:  |                   |                       |                                       |                          |                          |
| Principal  | -                 | -                     | -                                     | 800,000                  | 800,000                  |
| Interest and other charges                               | -                 | -                     | -                                     | 1,324,600                | 1,324,600                |
| Capital outlay   | 770,171           | 7,568,667             | 22,561,963                            | 367,634                  | 31,268,435               |
| <b>Total Expenditures</b>                                | <b>37,269,591</b> | <b>7,633,525</b>      | <b>26,452,561</b>                     | <b>4,490,286</b>         | <b>75,845,963</b>        |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>\$ 759,769</b> | <b>\$ (7,144,861)</b> | <b>\$ (24,558,886)</b>                | <b>\$ 627,526</b>        | <b>\$ (30,316,452)</b>   |

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

## Paradise Unified School District

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

(Continued)

|  | General<br>Fund | Building<br>Fund | Special<br>Reserve<br>Capital Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|------------------|--|--------------------------------|--------------------------------|
| Year Ended June 30, 2024                 |                 |                  |  |                                |                                |
| <b>Extraordinary Item</b>                | -               | -                | 1,938,000                                      | -                              | 1,938,000                      |
| <b>Net Change in Fund Balances</b>       | 759,769         | (7,144,861)      | (22,620,886)                                   | 627,526                        | (28,378,452)                   |
| <b>Fund Balances - Beginning of Year</b> | 30,282,063      | 7,848,557        | 29,249,312                                     | 5,995,970                      | 73,375,902                     |
| <b>Fund Balances - End of Year</b>       | \$ 31,041,832   | \$ 703,696       | \$ 6,628,426                                   | \$ 6,623,496                   | \$ 44,997,450                  |

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

## Paradise Unified School District

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

Year Ended June 30, 2024

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|   |                        |
|---|------------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b> | <b>\$ (28,378,452)</b> |
|---|------------------------|

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

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

|                                 |               |
|---------------------------------|---------------|
| Expenditures for capital outlay | \$ 34,484,812 |
| Depreciation expense            | (3,022,354)   |

---

|                           |                   |
|---------------------------|-------------------|
| <b>Net Capital Outlay</b> | <b>31,462,458</b> |
|---------------------------|-------------------|

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

800,000

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(253,121)

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|                        |                     |
|------------------------|---------------------|
| <b>Balance Forward</b> | <b>\$ 3,630,885</b> |
|------------------------|---------------------|

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

## Paradise Unified School District

### RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION (Continued)

Year Ended June 30, 2024

|   |                     |
|---|---------------------|
| <b>Balance Brought Forward</b>  | \$ 3,630,885        |
| Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:  | 13,333              |
| Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:  | 10,746              |
| Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:   | 2,745,585           |
| Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:   | 242,180             |
| Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: | 160,643             |
| <b>Change in Net Position of Governmental Activities</b>  | <b>\$ 6,803,372</b> |

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

**Paradise Unified School District**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**

| June 30, 2024        | Business-Type<br>Activities -<br>Enterprise Fund |
|----------------------|--|
| <b>ASSETS</b>        |  |
| Cash and investments | \$ 1,057   |
| <b>NET POSITION</b>  |  |
| Unrestricted         | \$ 1,057   |

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

## Paradise Unified School District

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND

|   |    | <b>Business-Type<br/>Activities -<br/>Enterprise Fund</b> |
|---|----|---|
| <hr/>                                   |    |   |
| <b>Year Ended June 30, 2024</b>         |    |   |
| <hr/>                                   |    |   |
| <b>Operating Revenues</b>               |    |   |
| Other local income                      | \$ | -   |
| <hr/>                                   |    |   |
| <b>Operating Expenses</b>               |    |   |
| Classified salaries                     |    | -   |
| Employee benefits                       |    | -   |
| <hr/>                                   |    |   |
| <b>Total Operating Expenses</b>         |    | -   |
| <hr/>                                   |    |   |
| <b>Operating Income</b>                 |    | -   |
| <hr/>                                   |    |   |
| <b>Nonoperating Revenues</b>            |    |   |
| Interest income                         |    | 51  |
| <hr/>                                   |    |   |
| <b>Change in Net Position</b>           |    | 51  |
| <hr/>                                   |    |   |
| <b>Net Position - Beginning of Year</b> |    | 1,006   |
| <hr/>                                   |    |   |
| <b>Net Position - End of Year</b>       | \$ | 1,057   |
| <hr/>                                   |    |   |

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

**Paradise Unified School District**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**

|  |    | <b>Business-Type<br/>Activities -<br/>Enterprise Fund</b> |
|--|----|---|
| Year Ended June 30, 2024   |    |   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |    |   |
| Interest received  | \$ | 51  |
| <b>Net Change in Cash and Investments</b>  |    | 51  |
| <b>Cash and Investments - Beginning of Year</b>  |    | 1,006   |
| <b>Cash and Investments - End of Year</b>  | \$ | 1,057   |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED<br/>BY OPERATING ACTIVITIES</b> |    |   |
| Operating income   | \$ | -   |
| Adjustments to reconcile operating income to net cash provided by<br>operating activities: |    |   |
| None   |    | -   |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | \$ | -   |

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



**1. SIGNIFICANT ACCOUNTING POLICIES**

Paradise Unified School District (the District) is governed by an elected five-member board. The District operates three elementary schools, one junior-senior high school, one continuation school, one adult education program, and one independent study program in Paradise and Magalia, California. The District is the sponsoring local educational agency for four charter schools.

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

**Financial Reporting Entity**

The District's financial reporting entity comprises the following:

Primary government:

Paradise Unified School District

Blended component units:

Paradise Unified School District Building Corporation

Criteria for determining if other entities are potential component units, which should be reported within the District's basic financial statements, are identified and described in the GASB, *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that the nature and significance of their relationship with the District is such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

**Blended Component Units** Separate legal entities that meet the component unit criteria described above, and whose governing body is the same or substantially the same as the District's governing board or the component unit, that provide services entirely to the District. These component units' funds are blended into those of the District by appropriate activity type to compose the primary government presentation.

**Discretely Presented Component Units** Separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Blended Component Units**

The component unit that is blended into the reporting activity of the District's report is as follows:

Paradise Unified School District Building Corporation (the Corporation) was established to provide financing assistance to the District for construction, rehabilitation, and acquisition of major capital facilities. The District has assumed a "moral obligation" and a potential legal obligation for any debt incurred by the Corporation. The District's Governing Board serves as the Governing Board of the Corporation and all accounting and administrative functions are performed by the District, which records all activity of the Corporation as a blended component unit (Debt Service Fund). Separate financial statements are not issued for the Corporation.

**Basis of Presentation**

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

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

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

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

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

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of operating income, financial position, changes in net position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services, as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting those definitions are reported as nonoperating revenues and expenses.

The funds of District are described below.

**Governmental Funds**

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

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

1. Student Activity Special Revenue Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code*, Section 48930-48938).
2. Charter Schools Fund is used to report separately the activities of the District's charter school. The charter school was converted to a non-charter school on July 1, 2017.
3. Adult Education Fund is used to account separately for federal, state, and local revenues, and the expenditure of those funds, that are restricted or committed for adult education programs (*California Education Code*, Sections 52616[b] and 52501.5[a]).
4. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38091 and 38100).

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

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).
3. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code*, Section 17070.10).
4. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code*, Sections 15125-15262).
2. Debt Service Fund is used for the accumulation of resources for the retirement of principal and interest on long-term debt.

**Proprietary Funds**

**Enterprise Funds** Funds that are established to account for operations that are financed in a manner similar to private business enterprises, where the intent is for costs of providing goods or services to be financed or recovered primarily through user charges. The District maintains one enterprise fund that is used to account for the District's After Kindergarten Program.

**Major and Nonmajor Funds**

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

Major Governmental Funds:

General Fund  
Building Fund  
Special Reserve Capital Projects Fund

Nonmajor Governmental Funds:

Student Activity Special Revenue Fund  
Charter Schools Fund  
Adult Education Fund  
Cafeteria Special Revenue Fund  
Capital Facilities Fund  
County School Facilities Fund  
Bond Interest and Redemption Fund  
Debt Service Fund

Major Proprietary Funds:

Enterprise Fund

**Measurement Focus and Basis of Accounting**

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

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

In the fund financial statements, proprietary funds utilize an “economic resources” measurement focus.

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

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

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used.

### **Budgets and Budgetary Accounting**

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

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

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

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Estimates**

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

**Cash, Cash Equivalents, and Investments**

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

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

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Butte County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The fair value of the District's investment in the pool is based on the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2024, the fair value of the County pool was 98.50% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during the year ended June 30, 2024, was \$2,111,807. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2024, was \$850,072.

### **Accounts Receivable and Due From Other Governments**

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2024. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2024. At June 30, 2024, no allowance for doubtful accounts was deemed necessary.

### **Balances Due To/From Other Funds**

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

### **Inventories**

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

### **Bond Premiums**

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

### **Fixed Assets**

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

### **Government-Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if the actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

|                     |       |
|---------------------|-------|
| School buildings    | 50    |
| Portable classrooms | 25    |
| Site improvements   | 15-30 |
| Equipment           | 5-20  |
| Vehicles            | 8     |

**Fund Financial Statements**

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

**Advances From Grantors**

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

**Long-Term Debt**

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

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

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

**Compensated Absences**

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



### **Deferred Outflows/Inflows of Resources**

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

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

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

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

### **Equity Classifications**

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

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

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

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

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

*Nonspendable Fund Balance:* Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

Proprietary fund equity is classified the same as in the government-wide statements.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts of at least 3% of General Fund expenditures and other financing uses. In the event that the balance drops below the established minimum level, the District's Board of Trustees will develop a plan to replenish the fund balance to the established minimum.

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

**Local Control Funding Formula Grant and Property Tax**

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

**Paradise Unified School District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**

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

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

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

**Revenue – Nonexchange Transactions**

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

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

**Expenditures and Expenses**

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

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

Governmental funds – by character:  
    Current (further classified by function)  
    Debt service  
    Capital outlay

Proprietary funds – by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Pensions**

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

**Interfund Transfers**

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

**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments:

| June 30, 2024   | Maturities      | Fair Value           |
|---|-----------------|----------------------|
| Deposits (1)  |                 | \$ 231,149           |
| <b>Investments That Are Not Securities (2)</b>                                  |                 |                      |
| County treasurer's investment pool  | 2 years average | 52,982,318           |
| <b>Total Cash and Investments Per Government-Wide Statement of Net Position</b> |                 | <b>\$ 53,213,467</b> |

(1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

(2) **Investments That Are Not Securities** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**Credit Risk – Investments**

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

### **Fair Value Measurements**

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

The District has the following recurring fair value measurements as of June 30, 2024:

- County treasurer's investment pool of \$52,982,318 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

### **Concentration of Credit Risk – Investments**

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

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

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

No more than 10% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises and where otherwise noted; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 40% may be invested in bankers' acceptances and no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; no more than 30% may be invested in medium-term notes; no more than 20% may be invested in mortgage passthrough and related securities; and no more than 30% may be invested in certain unsecured, unsubordinated obligations.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

| June 30, 2024 |    | <b>General<br/>Fund</b> |    | <b>Building<br/>Fund</b> |
|---------------|----|-------------------------|----|--------------------------|
| Interest      | \$ | -                       | \$ | 4,556                    |
| Other         |    | 769,675                 |    | -                        |
| <b>Total</b>  | \$ | 769,675                 | \$ | 4,556                    |

**4. DUE FROM OTHER GOVERNMENTS**

Due from other governments consisted of the following:

| June 30, 2024      |    | <b>General<br/>Fund</b> |    | <b>Other<br/>Governmental<br/>Funds</b> |
|--------------------|----|-------------------------|----|---|
| <b>Due From</b>    |    |                         |    |   |
| Federal government | \$ | 1,004,935               | \$ | 195,603                                 |
| State government   |    | 360,007                 |    | 93,276                                  |
| Local governments  |    | 68,403                  |    | -                                       |
| <b>Total</b>       | \$ | 1,433,345               | \$ | 288,879                                 |

**5. BALANCES DUE TO/FROM OTHER FUNDS**

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

| <b>Due From Other Funds</b> | <b>Due to Other Funds</b> |    |        |
|-----------------------------|---------------------------|----|--------|
| General                     | Cafeteria Special Revenue | \$ | 50,952 |

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

General Fund interfund receivable from the Cafeteria Special Revenue Fund for indirect costs and to reimburse the General Fund for costs paid on behalf of the Cafeteria Special Revenue Fund.

**Paradise Unified School District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**6. CAPITAL ASSETS**

Capital assets activity is as follows:

| Year Ended June 30, 2024                      | Beginning<br>Balance  | Additions            | Deductions        | Ending<br>Balance     |
|---|-----------------------|----------------------|-------------------|-----------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                |                       |                      |                   |                       |
| <b>Nondepreciated Capital Assets</b>          |                       |                      |                   |                       |
| Land  | \$ 1,571,268          | \$ 138,559           | \$ -              | \$ 1,709,827          |
| Construction in progress                      | 66,899,836            | 31,168,340           | 169,484           | 97,898,692            |
| <b>Total Nondepreciated Capital Assets</b>    | <b>68,471,104</b>     | <b>31,306,899</b>    | <b>169,484</b>    | <b>99,608,519</b>     |
| <b>Depreciated Capital Assets</b>             |                       |                      |                   |                       |
| Buildings                                     | 91,134,368            | 251,332              | 3,485,832         | 87,899,868            |
| Site improvements                             | 4,474,209             | -                    | -                 | 4,474,209             |
| Equipment and vehicles                        | 7,009,930             | 3,096,065            | -                 | 10,105,995            |
| <b>Total Depreciated Capital Assets</b>       | <b>102,618,507</b>    | <b>3,347,397</b>     | <b>3,485,832</b>  | <b>102,480,072</b>    |
| <b>Totals at Historical Cost</b>              | <b>171,089,611</b>    | <b>34,654,296</b>    | <b>3,655,316</b>  | <b>202,088,591</b>    |
| <b>Less: Accumulated Depreciation</b>         |                       |                      |                   |                       |
| Buildings                                     | 18,550,785            | 2,180,312            | 3,232,711         | 17,498,386            |
| Site improvements                             | 2,569,697             | 238,355              | -                 | 2,808,052             |
| Equipment and vehicles                        | 5,046,432             | 603,687              | -                 | 5,650,119             |
| <b>Total Accumulated Depreciation</b>         | <b>26,166,914</b>     | <b>3,022,354</b>     | <b>3,232,711</b>  | <b>25,956,557</b>     |
| <b>Total Depreciated Capital Assets - Net</b> | <b>76,451,593</b>     | <b>325,043</b>       | <b>253,121</b>    | <b>76,523,515</b>     |
| <b>GOVERNMENTAL ACTIVITIES</b>                |                       |                      |                   |                       |
| <b>CAPITAL ASSETS - NET</b>                   | <b>\$ 144,922,697</b> | <b>\$ 31,631,942</b> | <b>\$ 422,605</b> | <b>\$ 176,132,034</b> |

Depreciation expense was charged to governmental activities as follows:

|   |                     |
|---|---------------------|
| Year Ended June 30, 2024                                    |                     |
| <b>Governmental Activities</b>                              |                     |
| Instruction   | \$ 2,195,528        |
| Instruction-related services                                | 39,761              |
| Pupil services  | 474,006             |
| General administration                                      | 12,123              |
| Plant services  | 300,936             |
| <b>Total Depreciation Expense - Governmental Activities</b> | <b>\$ 3,022,354</b> |

**Paradise Unified School District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**7. ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

|                       |    | <b>General Fund</b> | <b>Capital Projects Fund</b> | <b>Special Reserve Fund</b> | <b>Other Governmental Funds</b> |
|-----------------------|----|---------------------|------------------------------|-----------------------------|---------------------------------|
| June 30, 2024         |    |                     |                              |                             |                                 |
| Vendors               | \$ | 984,512             | \$                           | 5,975,776                   | \$ 12,792                       |
| Salaries and benefits |    | 1,208,519           |                              | -                           | 6,560                           |
| Other                 |    | -                   |                              | 1,656                       | -                               |
| <b>Total</b>          | \$ | 2,193,031           | \$                           | 5,977,432                   | \$ 19,352                       |

**8. DUE TO OTHER GOVERNMENTS**

Due to other governments consisted of the following:

|                   |    | <b>General Fund</b> |
|-------------------|----|---------------------|
| June 30, 2024     |    |                     |
| <b>Due To</b>     |    |                     |
| State government  | \$ | 96,436              |
| Local governments |    | 698,689             |
| <b>Total</b>      | \$ | 795,125             |

**9. BONDED DEBT**

The outstanding general obligation bonded debt is as follows:

| <b>Issue Date</b> | <b>Interest Rate</b> | <b>Maturity Date</b> | <b>Amount of Original Issue</b> | <b>Outstanding July 1, 2023</b> | <b>Refunded/ Redeemed Current Year</b> | <b>Issued Current Year</b> | <b>Outstanding June 30, 2024</b> |
|-------------------|----------------------|----------------------|---------------------------------|---------------------------------|--|----------------------------|----------------------------------|
| 2021              | 4.00%                | 2050                 | \$ 10,000,000                   | \$ 9,500,000                    | \$ 750,000                             | \$ -                       | \$ 8,750,000                     |
| 2022              | 3.50-5.00%           | 2052                 | 10,000,000                      | 10,000,000                      | 50,000                                 | -                          | 9,950,000                        |
| 2023              | 5.00%                | 2053                 | 10,000,000                      | 10,000,000                      | -                                      | -                          | 10,000,000                       |
| <b>Total</b>      |                      |                      | \$ 30,000,000                   | \$ 29,500,000                   | \$ 800,000                             | \$ -                       | \$ 28,700,000                    |

The amount of interest cost incurred during the year ended June 30, 2024, was \$1,311,266, all of which was charged to expenses.



**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

| Year Ending June 30 | Principal            | Interest             | Total                |
|---------------------|----------------------|----------------------|----------------------|
| 2025                | \$ 750,000           | \$ 1,292,600         | \$ 2,042,600         |
| 2026                | 145,000              | 1,273,100            | 1,418,100            |
| 2027                | 280,000              | 1,262,600            | 1,542,600            |
| 2028                | 350,000              | 1,246,850            | 1,596,850            |
| 2029                | 340,000              | 1,229,600            | 1,569,600            |
| 2030-2034           | 1,090,000            | 5,967,675            | 7,057,675            |
| 2035-2039           | 2,560,000            | 5,597,800            | 8,157,800            |
| 2040-2044           | 4,955,000            | 4,758,400            | 9,713,400            |
| 2045-2049           | 8,375,000            | 3,353,525            | 11,728,525           |
| 2050-2053           | 9,855,000            | 1,011,400            | 10,866,400           |
| <b>Total</b>        | <b>\$ 28,700,000</b> | <b>\$ 26,993,550</b> | <b>\$ 55,693,550</b> |

**10. CHANGES IN LONG-TERM DEBT**

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

| Year Ended June 30, 2024       | Beginning Balance   | Additions           | Deductions        | Ending Balance      | Amounts Due Within One Year |
|--------------------------------|---------------------|---------------------|-------------------|---------------------|-----------------------------|
| <b>Governmental Activities</b> |                     |                     |                   |                     |                             |
| Compensated absences           | \$ 156,891          | \$ -                | \$ 10,746         | \$ 146,145          | \$ -                        |
| General obligation bonds       | 29,500,000          | -                   | 800,000           | 28,700,000          | 750,000                     |
| Bond issuance premiums         | 2,462,760           | -                   | 160,643           | 2,302,117           | 142,487                     |
| Total OPEB liability           | 4,039,037           | 1,131,904           | -                 | 5,170,941           | -                           |
| Net pension liability          | 20,626,975          | 1,063,045           | -                 | 21,690,020          | -                           |
| <b>Total</b>                   | <b>\$56,785,663</b> | <b>\$ 2,194,949</b> | <b>\$ 971,389</b> | <b>\$58,009,223</b> | <b>\$ 892,487</b>           |

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**11. FUND BALANCES COMPONENTS**

Fund balances are composed of the following:

| June 30, 2024                         | General Fund  | Building Fund | Capital Projects Fund | Special Reserve Governmental Funds | Other Funds |
|---------------------------------------|---------------|---------------|-----------------------|------------------------------------|-------------|
| <b>Nonspendable</b>                   |               |               |                       |                                    |             |
| Reserved for:                         |               |               |                       |                                    |             |
| Inventories                           | \$ -          | \$ -          | \$ -                  | \$ -                               | 40,349      |
| <b>Restricted</b>                     |               |               |                       |                                    |             |
| Restricted for:                       |               |               |                       |                                    |             |
| Capital projects                      | \$ -          | \$ 703,696    | \$ -                  | \$ -                               | 970,404     |
| Debt service                          | -             | -             | -                     | -                                  | 3,462,586   |
| Student activities                    | -             | -             | -                     | -                                  | 189,027     |
| Federal and state categoricals        | 8,082,806     | -             | -                     | -                                  | 1,955,312   |
| <b>Total Restricted</b>               | \$ 8,082,806  | \$ 703,696    | \$ -                  | \$ -                               | 6,577,329   |
| <b>Assigned</b>                       |               |               |                       |                                    |             |
| Assigned for:                         |               |               |                       |                                    |             |
| Charter schools                       | \$ -          | \$ -          | \$ -                  | \$ -                               | 1,036       |
| Adult education                       | -             | -             | -                     | -                                  | 4,782       |
| Capital projects                      | -             | -             | 6,628,426             | -                                  | -           |
| Other purposes                        | 21,830,436    | -             | -                     | -                                  | -           |
| <b>Total Assigned</b>                 | \$ 21,830,436 | \$ -          | \$ 6,628,426          | \$ -                               | 5,818       |
| <b>Unassigned</b>                     |               |               |                       |                                    |             |
| Designated for economic uncertainties | \$ 1,128,590  | \$ -          | \$ -                  | \$ -                               | -           |

**12. JOINT POWERS AUTHORITIES**

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Butte Schools Self-Funded Programs (BSSP), California's Valued Trust (CVT), North Bay Schools Insurance Authority (NBSIA), and Bay Area Schools Insurance Group. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

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

### **13. COMMITMENTS AND CONTINGENCIES**

#### **Federal and State Allowances, Awards, and Grants**

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

#### **Extraordinary Item**

In November 2018, the District was significantly impacted by a wildfire, the Camp Fire, which destroyed approximately 103,000 square feet of District facilities. During 2018-19, the District received an advance from the insurance carrier of \$9,750,000, and wrote off the net book value of the destroyed assets. During 2019-20 through 2022-23, the District received additional payments totaling \$67,788,079, and a settlement from PG&E of \$19,380,000 related to Camp Fire losses. During 2023-24, the District received an additional PG&E settlement of \$1,938,000, which is presented as an extraordinary item in the statement of activities and statement of revenues, expenditures, and changes in fund balances. The final insurance claim was received during 2022-23. The District expects to receive future PG&E settlement funds which are unknown at this time.

#### **Future Enrollment**

The District's enrollment has declined since the Camp Fire. Pre-fire the enrollment was 3,401. In June 2022, the enrollment dropped to a low of 1,493. However, as of October 2023, enrollment increased to 1,652. LCFF revenue legislation related to the Camp Fire provided state aid for 2021-22 at 25% of the pre-Camp Fire funding. Fiscal year 2022-23 was the final year of this hold harmless funding, and the District received state aid at 12.5% of the pre-Camp Fire funding. The budget reports have received a positive certification due to the reserve levels. As recent one-time funds are spent down, the District will need to make significant staffing reductions to balance the budget.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Construction Project Commitments**

Construction project commitments are as follows:

| June 30, 2024  | Remaining<br>Construction<br>Commitments |
|--|--|
| Paradise High School parking lot                                   | \$ 77,769                                |
| Cedarwood modernization  | 1,516,879                                |
| Pine Ridge modernization   | 154,202                                  |
| Paradise High School baseball field                                | 23,779                                   |
| Paradise Ridge Elementary School portables                         | 470,852                                  |
| Cedarwood HVAC   | 613,388                                  |
| Paradise High School 2-story classroom and administrative building | 54,871                                   |
| Paradise High School science rooms and library remodel             | 22,392                                   |
| <b>Total</b>   | <b>\$ 2,934,132</b>                      |

**14. RISK MANAGEMENT**

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

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**15. EMPLOYEE RETIREMENT SYSTEMS**

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

**Summary**

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

| June 30, 2024                              | Net<br>Pension<br>Liability | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Pension<br>Expense |
|--|-----------------------------|--------------------------------------|-------------------------------------|--------------------|
| CalSTRS State Teachers'<br>Retirement Plan | \$ 12,562,387               | \$ 3,322,995                         | \$ 5,464,886                        | \$ 287,772         |
| CalPERS School Employer Pool               | 9,127,633                   | 3,089,380                            | 1,057,569                           | 460,104            |
| <b>Total</b>                               | <b>\$ 21,690,020</b>        | <b>\$ 6,412,375</b>                  | <b>\$ 6,522,455</b>                 | <b>\$ 747,876</b>  |

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

**California State Teachers' Retirement System**

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

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

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

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
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- **CalSTRS 2% at 62** CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

**Contributions** Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 10.205% of their salary. The required employer contribution rate for fiscal year 2023-24 was 19.10% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2024, were \$2,132,642.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2024, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2024

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|  |                      |
|--|----------------------|
| District's proportionate share of the net pension liability                              | \$ 12,562,387        |
| State's proportionate share of the net pension liability<br>associated with the District | 6,019,102            |
| <b>Total</b>   | <b>\$ 18,581,489</b> |

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The District's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2024, the District's proportion was 0.016%.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
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State Teachers' Retirement Law also requires the state to contribute 10.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. For the year ended June 30, 2024, the District recognized pension expense of \$613,575 and revenue of \$613,575 for support provided by the state. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Difference between expected and actual experience   | \$ 987,267                                    | \$ 671,987                                   |
| Net difference between projected and actual earnings on pension plan investments                              | 53,145  | -  |
| Change in assumptions   | 72,741  | -  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 77,200  | 4,792,899                                    |
| District contributions subsequent to the measurement date   | 2,132,642                                     | -  |
| <b>Total</b>  | <b>\$ 3,322,995</b>                           | <b>\$ 5,464,886</b>                          |

The \$2,132,642 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                            |           |                    |
|----------------------------|-----------|--------------------|
| <b>Year Ending June 30</b> |           |                    |
| 2025                       | \$        | (1,809,022)        |
| 2026                       |           | (2,052,694)        |
| 2027                       |           | (211,584)          |
| 2028                       |           | (332,515)          |
| 2029                       |           | (38,799)           |
| Thereafter                 |           | 170,081            |
| <b>Total</b>               | <b>\$</b> | <b>(4,274,533)</b> |

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Actuarial Assumptions** The total pension liability in the June 30, 2022, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

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|                                   |                  |
|-----------------------------------|------------------|
| Valuation date                    | June 30, 2022    |
| Measurement date                  | June 30, 2023    |
| Actuarial cost method             | Entry age normal |
| Actuarial assumptions:            |                  |
| Investment rate of return         | 7.10%            |
| Interest on accounts              | 3.00%            |
| Wage growth                       | 3.50%            |
| Consumer price inflation          | 2.75%            |
| Post-retirement benefit increases | 2.00% simple     |

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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 the members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2018.



**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

|                            | <b>Assumed Asset<br/>Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|----------------------------|-------------------------------------|---|
| <b>Asset Class</b>         |                                     |   |
| Public equity              | 38%                                 | 5.25%   |
| Private equity             | 14%                                 | 6.75%   |
| Real estate                | 15%                                 | 4.05%   |
| Inflation sensitive        | 7%                                  | 3.65%   |
| Fixed income               | 14%                                 | 2.45%   |
| Risk mitigating strategies | 10%                                 | 2.25%   |
| Cash/liquidity             | 2%                                  | 0.05%   |
| <b>Total</b>               | <b>100%</b>                         |   |

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

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

|   | 1% Decrease<br>(6.10%) | Current<br>Discount Rate<br>(7.10%) | 1% Increase<br>(8.10%) |
|---|------------------------|-------------------------------------|------------------------|
| June 30, 2024   |                        |                                     |                        |
| District's proportionate share of the net pension liability | \$ 21,072,402          | \$ 12,562,387                       | \$ 5,493,828           |

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

### **California Public Employees' Retirement System**

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

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

***Contributions*** Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 8.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2023-24 fiscal year was 26.68%. The District's contributions to CalPERS for the fiscal year ended June 30, 2024, were \$1,360,819.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** At June 30, 2024, the District reported a net pension liability of \$9,127,633 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.0252%.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

For the year ended June 30, 2024, the District recognized pension expense of \$460,104. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience   | \$ 333,093                           | \$ 140,187                          |
| Net difference between projected and actual earnings on pension plan investments                              | 974,962                              | -                                   |
| Change in assumptions   | 420,506                              | -                                   |
| Changes in proportion and differences between District contributions and proportionate share of contributions | -                                    | 917,382                             |
| District contributions subsequent to the measurement date   | 1,360,819                            | -                                   |
| <b>Total</b>  | <b>\$ 3,089,380</b>                  | <b>\$ 1,057,569</b>                 |

The \$1,360,819 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 |                   |
|---------------------|-------------------|
| 2025                | \$ (162,578)      |
| 2026                | 166,855           |
| 2027                | 636,374           |
| 2028                | 30,341            |
| <b>Total</b>        | <b>\$ 670,992</b> |

**Actuarial Assumptions** The total pension liability in the June 30, 2022, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

|                           |                                 |
|---------------------------|---------------------------------|
| Valuation date            | June 30, 2022                   |
| Measurement date          | June 30, 2023                   |
| Actuarial cost method     | Entry age normal                |
| Actuarial assumptions:    |                                 |
| Discount rate             | 6.90%                           |
| Inflation                 | 2.30%                           |
| Salary increases          | Varies by entry age and service |
| Investment rate of return | 6.90%                           |

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period June 30, 2000, through June 30, 2019.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term.

The tables below reflect long-term expected real rates of return by asset class.

|                                  | <b>Assumed Asset<br/>Allocation</b> | <b>Real Rate of<br/>Return</b> |
|----------------------------------|-------------------------------------|--------------------------------|
| <b>Asset Class</b>               |                                     |                                |
| Global equity - cap-weighted     | 30%                                 | 4.54%                          |
| Global equity - non-cap-weighted | 12%                                 | 3.84%                          |
| Private equity                   | 13%                                 | 7.28%                          |
| Treasury                         | 5%                                  | 0.27%                          |
| Mortgage-backed securities       | 5%                                  | 0.50%                          |
| Investment grade corporates      | 10%                                 | 1.56%                          |
| High yield                       | 5%                                  | 2.27%                          |
| Emerging market debt             | 5%                                  | 2.48%                          |
| Private debt                     | 5%                                  | 3.57%                          |
| Real assets                      | 15%                                 | 3.21%                          |
| Leverage                         | -5%                                 | -0.59%                         |
| <b>Total</b>                     | <b>100%</b>                         |                                |

**Discount Rate** The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

|   | 1% Decrease<br>(5.90%) | Current<br>Discount Rate<br>(6.90%) | 1% Increase<br>(7.90%) |
|---|------------------------|-------------------------------------|------------------------|
| June 30, 2024   |                        |                                     |                        |
| District's proportionate share of the net pension liability | \$ 13,196,198          | \$ 9,127,633                        | \$ 5,765,057           |

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

**16. EARLY RETIREMENT INCENTIVE PROGRAM**

The District did not enter into any early retirement incentive agreements during 2023-24, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

**17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description and Benefits Provided**

The District provides postemployment health care benefits under a single-employer defined benefit plan to all certificated employees who have attained the age of 55 and have met certain qualifying criteria. Certificated employees hired prior to July 1, 2019, must retire under CalSTRS with at least ten years of service to the District. Certificated employees hired after July 1, 2019, must retire under CalSTRS with at least fifteen years of service, the last five of which must be to the District. The District contributes an amount not to exceed the maximum dollar amount in effect for the plan year following the employee's retirement for medical coverage plus the composite rate for dental and vision coverage in effect for the year following retirement, and benefits continue until age 65. The current cap is \$997 per month. Eligible employees hired prior to July 1, 2019, receive a maximum benefit of 100% of the cap. Eligible employees hired after July 1, 2019, receive a maximum benefit of 150% of the cap, if retiring between ages 55 and 59, and 175% of the cap if retiring between ages 60 and 65.

The District also provides postretirement health care benefits to all classified employees who retire from the District after attaining the age of 60, with at least 15 years of CalPERS service credit. If retiring on or after age 62, the District contributes an amount equal to 100% of the maximum dollar amount in effect at the time of retirement (currently \$997 per month). If retiring at the ages of 60 or 61, the District contributes 60% of the maximum dollar amount in effect at the time of retirement. Benefits continue until age 65. Part-time employees receive pro-rated District contributions.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Employees Covered**

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

June 30, 2024

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|   |            |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 27         |
| Active plan members   | 217        |
| <b>Total</b>  | <b>244</b> |

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**Contributions**

The contributions requirements of plan members and the District are established and may be amended by the District's Board of Trustees. Currently, the District's policy is to contribute to the plan on a pay-as-you-go basis. For the year ended June 30, 2024, the District contributed \$405,005 representing premium payments on behalf of retired employees.

**Total OPEB Liability**

The District's total OPEB liability was measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2024. The June 30, 2024, total OPEB liability was based on the actuarial methods and assumptions as shown below.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

---

|                            |                      |
|----------------------------|----------------------|
| Valuation date             | June 30, 2024        |
| Measurement date           | June 30, 2024        |
| Actuarial cost method      | Entry age normal     |
| Actuarial assumptions:     |                      |
| Discount rate              | 3.93% <sup>(1)</sup> |
| Salary increases           | 2.75%                |
| Consumer price inflation   | 2.50%                |
| Healthcare cost trend rate | 4.00%                |

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*(1) Net of investment expenses.*

**Paradise Unified School District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

The mortality assumptions used in the June 30, 2024, valuation are as follows:

**Mortality Table**

|  |  |
|--|--|
| 2020 CalSTRS Mortality   | The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalSTRS analysis.   |
| 2021 CalPERS Mortality for Miscellaneous and Schools Employees         | The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.         |
| 2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees | The mortality assumptions are based on the 2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.93%. The discount rate is based on the Bond Buyer 20 Bond Index.

**Changes in the Total OPEB Liability**

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

**Year Ended June 30, 2024**

|   |                     |
|---|---------------------|
| <b>Total OPEB Liability</b>   |                     |
| Service cost  | \$ 213,132          |
| Interest  | 143,923             |
| Difference between expected and actual experience                           | 1,418,042           |
| Changes of assumptions  | (238,188)           |
| Benefit payments - including refunds of employee contributions              | (405,005)           |
| <b>Net Change in Total OPEB Liability</b>                                   | <b>1,131,904</b>    |
| <b>Total OPEB Liability - Beginning of Year</b>                             | <b>4,039,037</b>    |
| <b>Total OPEB Liability - End of Year</b>                                   | <b>\$ 5,170,941</b> |
| Covered-employee payroll  | \$ 16,649,109       |
| District's total OPEB liability as a percentage of covered-employee payroll | 31.06%              |

**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate**

The following presents the District's total OPEB liability calculated using the discount rate or healthcare cost trend assumption one percent higher and lower than the current assumption:

| June 30, 2024             | Discount Rate | Healthcare Cost<br>Trend Rate |
|---------------------------|---------------|-------------------------------|
| 1% decrease in assumption | \$ 5,431,663  | \$ 4,799,918                  |
| Current assumption        | \$ 5,170,941  | \$ 5,170,941                  |
| 1% increase in assumption | \$ 4,923,018  | \$ 5,597,285                  |

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2024, the District recognized OPEB expense of \$567,830. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 2,015,027                         | \$ 1,251,436                        |
| Change in assumptions                             | 48,036                               | 791,175                             |
| <b>Total</b>                                      | <b>\$ 2,063,063</b>                  | <b>\$ 2,042,611</b>                 |

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

| Year Ending June 30 |                  |
|---------------------|------------------|
| 2025                | \$ (194,230)     |
| 2026                | (13,866)         |
| 2027                | 31,217           |
| 2028                | 31,217           |
| 2029                | 8,102            |
| Thereafter          | 158,012          |
| <b>Total</b>        | <b>\$ 20,452</b> |



**Paradise Unified School District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**18. SUBSEQUENT EVENTS**

Subsequent to June 30, 2024, the District entered into agreements for construction and modernization totaling \$2,479,771.

On September 5, 2024, the District issued the 2018 election, series D general obligation bonds totaling \$3,200,000, at a premium of \$238,010. The bonds carry an interest rate of 5% and mature through 2052.

**19. FUTURE GASB IMPLEMENTATION**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement outlines a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2024, will have on the District's financial statements, if any.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within twelve months of the date the financial statements are issued. If certain criteria are met, the government must disclose information in the notes to the financial statements to enable users of the financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2024, will have on the District's financial statements, if any.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements relating to management's discussion and analysis; unusual or infrequent items; presentation of proprietary fund information; major component units; budgetary comparison information; and financial trends information. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2025, will have on the District's financial statements, if any.

## **Required Supplementary Information**

**Paradise Unified School District**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

| Year Ended June 30, 2024                 | Budgeted Amounts     |                      | Actual<br>Amounts<br>GAAP Basis | Variance With<br>Final Budget -<br>Positive<br>(Negative) |
|--|----------------------|----------------------|---------------------------------|---|
|  | Original             | Final                |                                 |   |
| <b>Revenues</b>                          |                      |                      |                                 |   |
| Property taxes                           | \$ 5,969,872         | \$ 6,144,403         | \$ 9,084,337                    | \$ 2,939,934  |
| Local control funding<br>formula sources | 15,018,442           | 15,689,681           | 12,666,731                      | (3,022,950)   |
| Other state revenue                      | 3,785,137            | 3,043,171            | 5,129,192                       | 2,086,021   |
| Federal revenue                          | 4,632,322            | 7,943,022            | 6,582,533                       | (1,360,489)   |
| Other local revenue                      | 2,395,089            | 3,029,562            | 4,566,567                       | 1,537,005   |
| <b>Total Revenues</b>                    | <b>31,800,862</b>    | <b>35,849,839</b>    | <b>38,029,360</b>               | <b>2,179,521</b>  |
| <b>Expenditures</b>                      |                      |                      |                                 |   |
| Certificated salaries                    | 10,324,111           | 11,676,353           | 11,912,049                      | (235,696)   |
| Classified salaries                      | 4,167,532            | 4,896,874            | 5,078,474                       | (181,600)   |
| Employee benefits                        | 7,775,111            | 8,343,901            | 8,209,631                       | 134,270   |
| Books and supplies                       | 3,987,570            | 5,290,063            | 2,566,026                       | 2,724,037   |
| Services and other operating             | 4,619,472            | 5,758,814            | 7,866,550                       | (2,107,736)   |
| Capital outlay                           | 420,313              | 2,764,316            | 985,797                         | 1,778,519   |
| Other outgo                              | 726,260              | 626,943              | 651,064                         | (24,121)  |
| <b>Total Expenditures</b>                | <b>32,020,369</b>    | <b>39,357,264</b>    | <b>37,269,591</b>               | <b>2,087,673</b>  |
| <b>Net Change in Fund Balances</b>       | <b>(219,507)</b>     | <b>(3,507,425)</b>   | <b>759,769</b>                  | <b>4,267,194</b>  |
| <b>Fund Balances - Beginning of Year</b> | <b>30,282,063</b>    | <b>30,282,063</b>    | <b>30,282,063</b>               | <b>-</b>  |
| <b>Fund Balances - End of Year</b>       | <b>\$ 30,062,556</b> | <b>\$ 26,774,638</b> | <b>\$ 31,041,832</b>            | <b>\$ 4,267,194</b>                                       |

See the accompanying notes to this budgetary comparison schedule.

**Paradise Unified School District**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations by the following amounts:

| <u>June 30, 2024</u>         | <u>General Fund</u> |
|------------------------------|---------------------|
| Certificated salaries        | \$ 235,696          |
| Classified salaries          | \$ 181,600          |
| Services and other operating | \$ 2,107,736        |
| Other outgo                  | \$ 24,121           |

These excess expenditures in the General Fund were offset by unexpended appropriations in other categories.

# Paradise Unified School District

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

| Years Ended June 30   | 2024          | 2023          |
|---|---------------|---------------|
| <b>Total OPEB Liability</b>   |               |               |
| Service cost  | \$ 213,132    | \$ 211,032    |
| Interest  | 143,923       | 143,239       |
| Changes of benefit terms  | -             | -             |
| Difference between expected and actual experience                           | 1,418,042     | -             |
| Changes of assumptions  | (238,188)     | (24,598)      |
| Benefit payments - including refunds of employee contributions              | (405,005)     | (462,864)     |
| <b>Net Change In Total OPEB Liability</b>                                   | 1,131,904     | (133,191)     |
| <b>Total OPEB Liability - Beginning of Year</b>                             | 4,039,037     | 4,172,228     |
| <b>Total OPEB Liability - End of Year</b>                                   | 5,170,941     | 4,039,037     |
| Covered-employee payroll  | \$ 16,649,109 | \$ 12,616,740 |
| District's total OPEB liability as a percentage of covered-employee payroll | 31.06%        | 32.01%        |

| Years Ended June 30   | 2022          | 2021          | 2020          | 2019          | 2018          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Total OPEB Liability</b>   |               |               |               |               |               |
| Service cost  | \$ 277,507    | \$ 268,374    | \$ 306,395    | \$ 297,471    | \$ 703,212    |
| Interest  | 127,251       | 140,679       | 190,185       | 223,945       | 356,984       |
| Changes of benefit terms  | -             | -             | -             | (1,994,315)   | -             |
| Difference between expected and actual experience                           | (1,311,458)   | -             | 1,491,076     | (1,866,899)   | -             |
| Changes of assumptions  | (270,121)     | 12,631        | (743,891)     | 243,687       | -             |
| Benefit payments - including refunds of employee contributions              | (806,936)     | (1,052,045)   | (760,824)     | (1,109,723)   | (817,499)     |
| <b>Net Change In Total OPEB Liability</b>                                   | (1,983,757)   | (630,361)     | 482,941       | (4,205,834)   | 242,697       |
| <b>Total OPEB Liability - Beginning of Year</b>                             | 6,155,985     | 6,786,346     | 6,303,405     | 10,509,239    | 10,266,542    |
| <b>Total OPEB Liability - End of Year</b>                                   | 4,172,228     | 6,155,985     | 6,786,346     | 6,303,405     | 10,509,239    |
| Covered-employee payroll  | \$ 12,913,746 | \$ 15,163,064 | \$ 20,369,672 | \$ 21,605,079 | \$ 30,677,731 |
| District's total OPEB liability as a percentage of covered-employee payroll | 32.31%        | 40.60%        | 33.32%        | 29.18%        | 34.26%        |

See the accompanying notes to the required supplementary information.

**Paradise Unified School District**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB**

| Years Ended June 30  | <b>2024</b> |            | <b>2023</b> |            |
|--|-------------|------------|-------------|------------|
| Contractually required contribution                                  | \$          | 405,005    | \$          | 462,864    |
| Contributions in relation to the contractually required contribution |             | (405,005)  |             | (462,864)  |
| <b>Contribution Deficiency (Excess)</b>                              | \$          | -          | \$          | -          |
| Covered-employee payroll   | \$          | 16,649,109 | \$          | 12,616,740 |
| Contributions as a percentage of covered-employee payroll            |             | 2.43%      |             | 3.67%      |

| Years Ended June 30  | <b>2022</b> |            | <b>2021</b> |             | <b>2020</b> |            | <b>2019</b> |             | <b>2018</b>   |
|--|-------------|------------|-------------|-------------|-------------|------------|-------------|-------------|---------------|
| Contractually required contribution                                  | \$          | 806,936    | \$          | 1,052,045   | \$          | 760,824    | \$          | 1,109,723   | \$ 817,499    |
| Contributions in relation to the contractually required contribution |             | (806,936)  |             | (1,052,045) |             | (760,824)  |             | (1,109,723) | (817,499)     |
| <b>Contribution Deficiency (Excess)</b>                              | \$          | -          | \$          | -           | \$          | -          | \$          | -           | -             |
| Covered-employee payroll   | \$          | 12,913,746 | \$          | 15,163,064  | \$          | 20,369,672 | \$          | 21,605,079  | \$ 30,677,731 |
| Contributions as a percentage of covered-employee payroll            |             | 6.25%      |             | 6.94%       |             | 3.74%      |             | 5.14%       | 2.66%         |

*See the accompanying notes to the required supplementary information.*

## Paradise Unified School District

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

| Years Ended June 30  | 2024                 | 2023                 | 2022                 | 2021                 | 2020                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability (asset)   | 0.016%               | 0.016%               | 0.018%               | 0.020%               | 0.026%               |
| District's proportionate share of the net pension liability (asset)  | \$ 12,562,387        | \$ 11,426,885        | \$ 8,108,864         | \$ 19,070,831        | \$ 23,482,160        |
| State's proportionate share of the net pension liability (asset)<br>associated with the District                       | 6,019,102            | 5,722,618            | 4,080,151            | 9,830,936            | 12,811,189           |
| <b>Total</b>   | <b>\$ 18,581,489</b> | <b>\$ 17,149,503</b> | <b>\$ 12,189,015</b> | <b>\$ 28,901,767</b> | <b>\$ 36,293,349</b> |
| District's covered-employee payroll  | \$ 9,881,136         | \$ 9,663,186         | \$ 9,707,003         | \$ 10,212,626        | \$ 14,920,547        |
| District's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 127.14%              | 118.25%              | 83.54%               | 186.74%              | 157.38%              |
| Plan fiduciary net position as a percentage of the total pension liability   | 80.60%               | 81.20%               | 87.20%               | 71.80%               | 72.60%               |

| Years Ended June 30  | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability (asset)   | 0.027%               | 0.029%               | 0.031%               | 0.038%               | 0.030%               |
| District's proportionate share of the net pension liability (asset)  | \$ 24,814,890        | \$ 26,819,200        | \$ 25,073,110        | \$ 25,583,120        | \$ 17,531,100        |
| State's proportionate share of the net pension liability (asset)<br>associated with the District                       | 14,207,755           | 15,866,141           | 14,275,776           | 13,530,614           | 10,586,141           |
| <b>Total</b>   | <b>\$ 39,022,645</b> | <b>\$ 42,685,341</b> | <b>\$ 39,348,886</b> | <b>\$ 39,113,734</b> | <b>\$ 28,117,241</b> |
| District's covered-employee payroll  | \$ 15,597,014        | \$ 15,336,669        | \$ 15,622,606        | \$ 16,567,842        | \$ 15,762,731        |
| District's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 159.10%              | 174.87%              | 160.49%              | 154.41%              | 111.22%              |
| Plan fiduciary net position as a percentage of the total pension liability   | 70.99%               | 69.46%               | 70.04%               | 74.02%               | 76.52%               |

See the accompanying notes to the required supplementary information.

## Paradise Unified School District

### SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

| Years Ended June 30  | 2024         | 2023         | 2022         | 2021          | 2020          |
|--|--------------|--------------|--------------|---------------|---------------|
| Contractually required contribution                                  | \$ 2,132,642 | \$ 1,887,297 | \$ 1,635,011 | \$ 1,567,681  | \$ 1,746,359  |
| Contributions in relation to the contractually required contribution | (2,132,642)  | (1,887,297)  | (1,635,011)  | (1,567,681)   | (1,746,359)   |
| <b>Contribution Deficiency (Excess)</b>                              | \$ -         | \$ -         | \$ -         | \$ -          | \$ -          |
| District's covered-employee payroll                                  | \$ 9,881,136 | \$ 9,663,186 | \$ 9,707,003 | \$ 10,212,626 | \$ 14,920,547 |
| Contributions as a percentage of covered-employee payroll            | 21.58%       | 19.53%       | 16.84%       | 15.35%        | 11.70%        |

| Years Ended June 30  | 2019          | 2018          | 2017          | 2016          | 2015          |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 2,429,065  | \$ 2,118,512  | \$ 1,929,353  | \$ 1,728,754  | \$ 1,378,877  |
| Contributions in relation to the contractually required contribution | (2,429,065)   | (2,118,512)   | (1,929,353)   | (1,728,754)   | (1,378,877)   |
| <b>Contribution Deficiency (Excess)</b>                              | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered-employee payroll                                  | \$ 15,597,014 | \$ 15,336,669 | \$ 15,622,606 | \$ 16,567,842 | \$ 15,762,731 |
| Contributions as a percentage of covered-employee payroll            | 15.57%        | 13.81%        | 12.35%        | 10.43%        | 8.75%         |

See the accompanying notes to the required supplementary information.



## Paradise Unified School District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

| Years Ended June 30   | 2024         | 2023         | 2022         | 2021         | 2020          |
|---|--------------|--------------|--------------|--------------|---------------|
| District's proportion of the net pension liability (asset)  | 0.0252%      | 0.0267%      | 0.0275%      | 0.0323%      | 0.0393%       |
| District's proportionate share of the net pension liability (asset)   | \$ 9,127,633 | \$ 9,200,090 | \$ 5,600,357 | \$ 9,895,264 | \$ 11,441,450 |
| District's covered-employee payroll   | \$ 4,370,020 | \$ 4,156,635 | \$ 4,000,826 | \$ 4,950,439 | \$ 5,449,125  |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 208.87%      | 221.34%      | 139.98%      | 199.89%      | 209.97%       |
| Plan fiduciary net position as a percentage of the total pension liability  | 70.00%       | 69.80%       | 81.00%       | 70.00%       | 70.00%        |

| Years Ended June 30   | 2019          | 2018          | 2017         | 2016         | 2015         |
|---|---------------|---------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset)  | 0.0455%       | 0.0466%       | 0.0497%      | 0.0493%      | 0.0475%      |
| District's proportionate share of the net pension liability (asset)   | \$ 12,137,065 | \$ 11,129,424 | \$ 9,815,781 | \$ 7,266,869 | \$ 5,392,407 |
| District's covered-employee payroll   | \$ 6,008,074  | \$ 5,947,645  | \$ 6,701,083 | \$ 6,818,421 | \$ 6,448,892 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 202.01%       | 187.12%       | 146.48%      | 106.58%      | 83.62%       |
| Plan fiduciary net position as a percentage of the total pension liability  | 70.85%        | 71.90%        | 73.90%       | 79.43%       | 83.38%       |

See the accompanying notes to the required supplementary information.

# Paradise Unified School District

## SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

| Years Ended June 30  | 2024 |             | 2023 |             | 2022 |           | 2021 |           | 2020         |
|--|------|-------------|------|-------------|------|-----------|------|-----------|--------------|
| Contractually required contribution                                  | \$   | 1,360,819   | \$   | 1,108,674   | \$   | 952,285   | \$   | 828,171   | \$ 976,276   |
| Contributions in relation to the contractually required contribution |      | (1,360,819) |      | (1,108,674) |      | (952,285) |      | (828,171) | (976,276)    |
| <b>Contribution Deficiency (Excess)</b>                              | \$   | -           | \$   | -           | \$   | -         | \$   | -         | -            |
| District's covered-employee payroll                                  | \$   | 4,370,020   | \$   | 4,156,635   | \$   | 4,000,826 | \$   | 4,950,439 | \$ 5,449,125 |
| Contributions as a percentage of covered-employee payroll            |      | 31.14%      |      | 26.67%      |      | 23.80%    |      | 16.73%    | 17.92%       |

| Years Ended June 30  | 2019 |           | 2018 |           | 2017 |           | 2016 |           | 2015         |
|--|------|-----------|------|-----------|------|-----------|------|-----------|--------------|
| Contractually required contribution                                  | \$   | 984,221   | \$   | 934,063   | \$   | 826,009   | \$   | 716,661   | \$ 668,034   |
| Contributions in relation to the contractually required contribution |      | (984,221) |      | (934,063) |      | (826,009) |      | (716,661) | (668,034)    |
| <b>Contribution Deficiency (Excess)</b>                              | \$   | -         | \$   | -         | \$   | -         | \$   | -         | -            |
| District's covered-employee payroll                                  | \$   | 6,008,074 | \$   | 5,947,645 | \$   | 6,701,083 | \$   | 6,818,421 | \$ 6,448,892 |
| Contributions as a percentage of covered-employee payroll            |      | 16.38%    |      | 15.70%    |      | 12.33%    |      | 10.51%    | 10.36%       |

See the accompanying notes to the required supplementary information.

**1. TOTAL OPEB LIABILITY**

**Changes in Benefit Terms**

There were no significant changes in benefit terms during the measurement period ended June 30, 2024.

**Changes in Assumptions**

For the measurement period ended June 30, 2024, the discount rate increased from 3.65% to 3.96%.

**Assets to Pay Related Benefits**

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 as of June 30, 2024.

**2. PENSION – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

**Changes in Benefit Terms**

There were no significant changes of benefit terms during the measurement period ended June 30, 2023.

**Changes in Assumptions**

There were no significant changes of assumptions during the measurement period ended June 30, 2023.

**3. PENSION – CALIFORNIA STATE PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**Changes in Benefit Terms**

There were no significant changes of benefit terms during the measurement period ended June 30, 2023.

**Changes in Assumptions**

There were no significant changes in assumptions during the measurement period ended June 30, 2023.

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

## Paradise Unified School District

### SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2024

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Charter schools sponsored by the District that are excluded from the audit of the District:

|  | <b>Charter Number</b> |
|--|-----------------------|
| Paradise Charter Middle                  | 0079                  |
| HomeTech Charter                         | 0067                  |
| Achieve Charter School of Paradise, Inc. | 0751                  |
| Children's Community Charter             | 0094                  |

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*See the accompanying note to the other supplementary information.*

**Paradise Unified School District**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**Year Ended June 30, 2024**

|  | <b>Originally Reported</b>          |                          | <b>Final</b>                        |                          |
|--|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
|  | <b>Second<br/>Period<br/>Report</b> | <b>Annual<br/>Report</b> | <b>Second<br/>Period<br/>Report</b> | <b>Annual<br/>Report</b> |
| <b>ELEMENTARY</b>  |                                     |                          |                                     |                          |
| <b>Regular ADA*</b>  |                                     |                          |                                     |                          |
| Transitional kindergarten/<br>kindergarten through grade 3 | 495.13                              | 497.69                   | 494.02                              | 496.67                   |
| Grades 4 through 6   | 328.31                              | 328.94                   | 328.52                              | 328.94                   |
| Grades 7 through 8   | 160.19                              | 161.03                   | 161.01                              | 160.63                   |
| <b>ELEMENTARY TOTALS</b>                                   | 983.63                              | 987.66                   | 983.55                              | 986.24                   |
| <b>HIGH SCHOOL</b>   |                                     |                          |                                     |                          |
| <b>Regular ADA**</b>                                       |                                     |                          |                                     |                          |
| Grades 9 through 12  | 518.48                              | 516.92                   | 542.92                              | 530.46                   |
| <b>ADA Totals</b>  | 1,502.11                            | 1,504.58                 | 1,526.47                            | 1,516.70                 |

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

*\*\* Includes opportunity classes, home and hospital, special day classes, and continuation education.*

*See the accompanying note to the other supplementary information.*

**Paradise Unified School District**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**Year Ended June 30, 2024**

|              | <b>Minutes<br/>Requirement</b> | <b>Days<br/>Requirement</b> | <b>Actual<br/>Minutes<br/>Offered</b> | <b>Actual<br/>Days Offered</b> | <b>Approved<br/>J-13A Credited<br/>Minutes*</b> | <b>Approved<br/>J-13A Credited<br/>Days*</b> | <b>Traditional<br/>Calendar<br/>Minutes</b> | <b>Traditional<br/>Calendar<br/>Days</b> | <b>Multitrack<br/>Calendar<br/>Days</b> | <b>Status</b> |
|--------------|--------------------------------|-----------------------------|---------------------------------------|--------------------------------|---|--|---|--|---|---------------|
| Kindergarten | 36,000                         | 180                         | 54,000                                | 180                            | -   | -  | 54,000                                      | 180                                      | N/A                                     | Complied      |
| Grade 1      | 50,400                         | 180                         | 50,400                                | 180                            | -   | -  | 50,400                                      | 180                                      | N/A                                     | Complied      |
| Grade 2      | 50,400                         | 180                         | 50,400                                | 180                            | -   | -  | 50,400                                      | 180                                      | N/A                                     | Complied      |
| Grade 3      | 50,400                         | 180                         | 50,400                                | 180                            | -   | -  | 50,400                                      | 180                                      | N/A                                     | Complied      |
| Grade 4      | 54,000                         | 180                         | 54,000                                | 180                            | -   | -  | 54,000                                      | 180                                      | N/A                                     | Complied      |
| Grade 5      | 54,000                         | 180                         | 54,000                                | 180                            | -   | -  | 54,000                                      | 180                                      | N/A                                     | Complied      |
| Grade 6      | 54,000                         | 180                         | 54,000                                | 180                            | -   | -  | 54,000                                      | 180                                      | N/A                                     | Complied      |
| Grade 7      | 54,000                         | 180                         | 59,466                                | 180                            | -   | -  | 59,466                                      | 180                                      | N/A                                     | Complied      |
| Grade 8      | 54,000                         | 180                         | 59,466                                | 180                            | -   | -  | 59,466                                      | 180                                      | N/A                                     | Complied      |
| Grade 9      | 64,800                         | 180                         | 64,940                                | 180                            | -   | -  | 64,940                                      | 180                                      | N/A                                     | Complied      |
| Grade 10     | 64,800                         | 180                         | 64,940                                | 180                            | -   | -  | 64,940                                      | 180                                      | N/A                                     | Complied      |
| Grade 11     | 64,800                         | 180                         | 64,940                                | 180                            | -   | -  | 64,940                                      | 180                                      | N/A                                     | Complied      |
| Grade 12     | 64,800                         | 180                         | 64,940                                | 180                            | -   | -  | 64,940                                      | 180                                      | N/A                                     | Complied      |

*\*The District did not apply for any Form J-13A emergency closure days.*

*See the accompanying note to the other supplementary information.*

**Paradise Unified School District**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

| Years Ended June 30                                  | (Budget) 2025        | 2024                 | 2023                 | 2022                 |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund</b>                                  |                      |                      |                      |                      |
| Revenues and other financial sources                 | \$ 33,831,405        | \$ 38,029,360        | \$ 38,672,393        | \$ 40,012,000        |
| Expenditures   | 35,086,219           | 37,269,591           | 32,568,946           | 35,848,167           |
| Other uses and transfers out                         | -                    | -                    | 20,965,486           | 172,191              |
| <b>Total Outgo</b>                                   | <b>35,086,219</b>    | <b>37,269,591</b>    | <b>53,534,432</b>    | <b>36,020,358</b>    |
| <b>Change in Fund Balance</b>                        | <b>(1,254,814)</b>   | <b>759,769</b>       | <b>(14,862,039)</b>  | <b>3,991,642</b>     |
| <b>Ending Fund Balance</b>                           | <b>\$ 29,787,018</b> | <b>\$ 31,041,832</b> | <b>\$ 30,282,063</b> | <b>\$ 45,144,102</b> |
| Available reserves                                   | \$ 1,052,587         | \$ 1,128,590         | \$ 1,578,603         | \$ 1,080,612         |
| Designated for economic uncertainties                | \$ 1,052,587         | \$ 1,128,590         | \$ 1,578,603         | \$ 1,080,612         |
| Undesignated fund balance                            | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Available reserves as a percentage of<br>total outgo | 3%                   | 3%                   | 3%                   | 3%                   |
| Total long-term debt                                 | \$ 57,116,736        | \$ 58,009,223        | \$ 56,785,663        | \$ 40,042,542        |
| Average daily attendance at P-2                      | 1,599                | 1,526                | 1,404                | 1,213                |

The General Fund balance has decreased by \$14,102,270 over the past two years. The fiscal year 2024-25 budget projects a decrease of \$1,254,814 (4%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit in one of the past three years, and anticipates incurring an operating deficit during the 2024-25 fiscal year. Total long-term debt has increased by \$17,966,681 over the past two years.

Average daily attendance has increased by 313 over the past two years. Growth in ADA of 73 is anticipated during fiscal year 2024-25.

*See the accompanying note to the other supplementary information.*



## Paradise Unified School District

### RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS Year Ended June 30, 2024

|   |    | General<br>Fund |    | Cafeteria<br>Special Revenue<br>Fund |    | Special Reserve<br>Capital Projects<br>Fund |
|---|----|-----------------|----|--------------------------------------|----|---|
| <b>Annual Financial and Budget Report Fund Balance</b>      | \$ | 30,590,185      | \$ | 1,803,275                            | \$ | 10,905,665                                  |
| <b>Adjustments Increasing (Decreasing) the Fund Balance</b> |    |                 |    |                                      |    |   |
| Under(over)statement of cash and investments                |    | 10,408          |    | (9,675)                              |    | -   |
| Understatement of due from other governments                |    | 367,370         |    | -                                    |    | -   |
| Understatement of accounts payable                          |    | (214,733)       |    | -                                    |    | (4,277,239)                                 |
| Overstatement of due to other governments                   |    | 288,602         |    | -                                    |    | -   |
| <b>Net Adjustments</b>                                      |    | 451,647         |    | (9,675)                              |    | (4,277,239)                                 |
| <b>Audited Financial Statements Fund Balance</b>            | \$ | 31,041,832      | \$ | 1,793,600                            | \$ | 6,628,426                                   |

*See the accompanying note to the other supplementary information.*

**Paradise Unified School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2024

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</b>                          | <b>Federal<br/>Assistance<br/>Listing<br/>Number</b> | <b>Pass-Through<br/>Entity<br/>Identifying<br/>Number</b> | <b>Federal<br/>Expenditures</b> |
|---|--|---|---------------------------------|
| <b>FEDERAL PROGRAMS</b>   |  |   |                                 |
| <b>U.S. Department of Education</b>   |  |   |                                 |
| <b>Special Education Cluster</b>  |  |   |                                 |
| <b>Passed Through Butte County Office of Education</b>  |  |   |                                 |
| Special Education - IDEA Basic Local Assistance   | 84.027   | 13379   | \$ 508,856                      |
| Special Education - IDEA Preschool  | 84.173   | 13430   | 10,950                          |
| Special Education: IDEA Local Assistance, Part B, Sec 611<br>Private School ISPs                  | 84.027   | 10115   | 1,569                           |
| <b>Total Special Education Cluster</b>  |  |   | <b>521,375</b>                  |
| <b>Passed Through California Department of Education</b>  |  |   |                                 |
| COVID-19 - Elementary and Secondary School Emergency<br>Relief III (ESSER) Fund: Learning Loss    | 84.425U  | 10155   | 1,592,214                       |
| COVID-19 - Expanded Learning Opportunities (ELO) Grant<br>ESSER III State Reserve Emergency Needs | 84.425U  | 15620   | 134,307                         |
| COVID-19 - Elementary and Secondary School<br>Emergency Relief III (ESSER) Fund                   | 84.425D  | 15559   | 1,813,951                       |
| COVID-19 - Expanded Learning Opportunities (ELO) Grant<br>ESSER II State Reserve Learning Loss    | 84.425U  | 15621   | 231,523                         |
| COVID-19 - Century Community Learning Centers (CCLC):<br>ESSER III Summer Learning Program        | 84.425U  | 15650   | 60,063                          |
| COVID-19 - Homeless Children and Youth II (ARP HYC II)  | 84.425   | 15566   | 46,264                          |
| <b>Total Education Stabilization Fund</b>   |  |   | <b>3,878,322</b>                |
| ESEA - Title I, Part A, Basic Grants Low-Income and Neglected                                     | 84.010A  | 14329   | 1,328,617                       |
| ESEA - School Improvement Funding for LEAs  | 84.010   | 15438   | 346,860                         |
| <b>Total ESEA - Title I, Part A Grants</b>  |  |   | <b>1,675,477</b>                |
| ESEA - Title II, Part A, Supporting Effective<br>Instruction Local Grants                         | 84.367   | 14341   | 175,996                         |
| ESEA - Title IV, Part B, 21st Century Community<br>Learning Centers                               | 84.287   | 14349   | 50,000                          |
| ESEA - Title IV, Part A, Student Support and<br>Academic Enrichment                               | 84.424   | 15396   | 134,754                         |
| Vocational Programs - Vocational and Applied<br>Technical Secondary, Section 131                  | 84.048   | 14894   | 22,646                          |
| <b>Total U.S. Department of Education</b>   |  |   | <b>\$ 6,458,570</b>             |

*See the accompanying note to the other supplementary information.*

**Paradise Unified School District****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2024

(Continued)

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</b> | <b>Federal<br/>Assistance<br/>Listing<br/>Number</b> | <b>Pass-Through<br/>Entity<br/>Identifying<br/>Number</b> | <b>Federal<br/>Expenditures</b> |
|--|--|---|---------------------------------|
| <b>FEDERAL PROGRAMS</b>  |  |   |                                 |
| <b>Subtotal Brought Forward</b>  |  |   | \$ 6,458,570                    |
| <b>U.S. Department of Health and Human Services</b>                      |  |   |                                 |
| <b>Passed Through Sacramento County Office of Education</b>              |  |   |                                 |
| Advancing Wellness and Resilience in Education Program                   | 93.243   | 15289   | 103,595                         |
| <b>U.S. Department of Agriculture</b>                                    |  |   |                                 |
| <b>Passed Through California Department of Education</b>                 |  |   |                                 |
| <b>Child Nutrition Cluster</b>   |  |   |                                 |
| School Breakfast   | 10.553   | 13390   | 381,895                         |
| National School Lunch  | 10.555   | 13391   | 831,008                         |
| Supply Chain Assistance for School Meals                                 | 10.555   | 15655   | 125,656                         |
| <b>Nonmonetary Assistance</b>  |  |   |                                 |
| Food Donation  | 10.555   |   | 102,501                         |
| <b>Total Child Nutrition Cluster</b>                                     |  |   | 1,441,060                       |
| Child and Adult Care Food  | 10.558   | 13393   | 176,165                         |
| <b>Passed Through Butte County Office of Education</b>                   |  |   |                                 |
| Schools and Roads - Grants to Counties                                   | 10.666   | 10044   | 20,368                          |
| <b>Total U.S. Department of Agriculture</b>                              |  |   | 1,637,593                       |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                              |  |   | \$ 8,199,758                    |

*See the accompanying note to the other supplementary information.*

## **PURPOSE OF SCHEDULES**

### **Schedule of Charter Schools**

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

### **Schedule of Average Daily Attendance**

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

### **Schedule of Instructional Time**

The District received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District met or exceeded its local funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46200 through 46208.

### **Schedule of Financial Trends and Analysis**

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

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Expenditures of Federal Awards**

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Expenditures reported on this schedule are reported on the modified 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.

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## **OTHER INFORMATION SECTION**

## Paradise Unified School District

### LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2024

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The Paradise Unified School District (the District) is located in Butte County and was established in 1951. There were no changes in the boundaries of the District during the current year. The District is currently operating three elementary schools, one junior-senior high school, one continuation school, one adult education program, and one independent study program. The District is the sponsoring local educational agency for four charter schools.

#### GOVERNING BOARD

| Name                 | Office         | Term Expires |
|----------------------|----------------|--------------|
| Melissa Crick        | President      | 2024         |
| Richard Gingery, Jr. | Vice President | 2026         |
| Emily Vail           | Clerk          | 2024         |
| Susan Davis          | Trustee        | 2024         |
| Bill Sharrett        | Trustee        | 2026         |

#### ADMINISTRATION

Tom Taylor  
Superintendent

David McCready,  
Assistant Superintendent, Business Services

## **OTHER REPORTS SECTION**

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

To the Board of Trustees  
Paradise Unified School District  
Paradise, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paradise Unified School District (the District) as of and for the year ended June 30, 2024; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated February 7, 2025.

***Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be significant deficiencies.



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

(Continued)

***Report on Compliance and Other Matters***

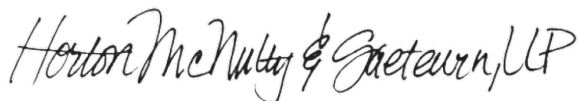
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

***The District's Response to Findings***

*Government Auditing Standards* requires that the auditor perform limited procedures on the District's response to the findings identified in our audit and 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 7, 2025  
Chico, California

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Board of Trustees  
Paradise Unified School District  
Paradise, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Paradise Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; 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* (the Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to the District's federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

(Continued)

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

(Continued)

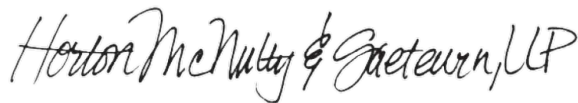
**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



February 7, 2025  
Chico, California

## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Trustees  
Paradise Unified School District  
Paradise, California

### **Report on State Compliance**

#### ***Opinion on State Compliance***

We have audited the Paradise Unified School District's (the District) compliance with the requirements specified in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, as prescribed by Title 5, *California Code of Regulations*, Section 19810, applicable to the District's state program requirements identified below for the year ended June 30, 2024.

In our opinion, the District complied, in all material respects, with the laws and regulations of the state programs noted on pages 94 and 95 for the year ended June 30, 2024.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

(Continued)

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our compliance audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON  
INTERNAL CONTROL OVER COMPLIANCE**

(Continued)

| June 30, 2024  |  | Procedures<br>Performed |
|--|--|-------------------------|
| <b>Local Education Agencies Other than Charter Schools:</b>                |  |                         |
| A.   | Attendance   | Yes                     |
| B.   | Teacher certification and misassignments                 | Yes                     |
| C.   | Kindergarten continuance                                 | Yes                     |
| D.   | Independent study  | Yes                     |
| E.   | Continuation education                                   | No                      |
| F.   | Instructional time                                       | Yes                     |
| G.   | Instructional materials                                  | Yes                     |
| H.   | Ratio of administrative employees to teachers            | Yes                     |
| I.   | Classroom teacher salaries                               | Yes                     |
| J.   | Early retirement incentive                               | No                      |
| K.   | Gann limit calculation                                   | Yes                     |
| L.   | School accountability report card                        | Yes                     |
| M.   | Juvenile court schools                                   | Not applicable          |
| N.   | Middle and early college high schools                    | No                      |
| O.   | K-3 grade span adjustment                                | Yes                     |
| Q.   | Apprenticeship: Related and supplemental instruction     | No                      |
| R.   | Comprehensive school safety plan                         | Yes                     |
| S.   | District of choice                                       | No                      |
| TT.  | Home to school transportation reimbursement              | Yes                     |
| <b>School Districts, County Offices of Education, and Charter Schools:</b> |  |                         |
| T.   | Proposition 28 arts and music in schools                 | Yes                     |
| U.   | After/Before school education and safety program:        |                         |
|  | After school   | Yes                     |
|  | Before school  | No                      |
|  | General requirements                                     | Yes                     |
| V.   | Proper expenditure of education protection account funds | Yes                     |
| W.   | Unduplicated local control funding formula pupil counts  | Yes                     |
| X.   | Local control and accountability plan                    | Yes                     |
| Y.   | Independent study-course based                           | No                      |
| Z.   | Immunizations  | No                      |
| AZ.  | Educator effectiveness                                   | Yes                     |
| BZ.  | Expanded learning opportunities grant (ELO-G)            | Yes                     |
| CZ.  | Career technical education incentive grant               | Yes                     |
| DZ.  | Expanded learning opportunities program                  | Yes                     |
| EZ.  | Transitional kindergarten                                | Yes                     |

# INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

(Continued)

| June 30, 2024           |   | Procedures<br>Performed |
|-------------------------|---|-------------------------|
| <b>Charter Schools:</b> |   |                         |
| AA.                     | Attendance  | No                      |
| BB.                     | Mode of instruction   | No                      |
| CC.                     | Nonclassroom-based instruction/independent study            | No                      |
| DD.                     | Determination of funding for nonclassroom-based instruction | No                      |
| EE.                     | Annual instructional minutes – classroom based              | No                      |
| FF.                     | Charter school facility grant program                       | No                      |

Continuation education (E) steps 6a and 6b were not performed because students do not receive apportionment attendance for work experience. Continuation education (E) step 7 was not performed because students do not engage in independent study. District of choice (S) steps 2 and 3 were not performed because the board of the District did not elect to operate as a school district of choice. Testing for immunizations (Z) was not performed because the District did not include any schools that did not submit immunization assessment reports to the California Department of Public Health or that reported a high number of conditionally enrolled students.

Since the District did not participate in the following programs during 2023-24 or the program is not applicable to school districts, all steps related to them were not performed:

- J. Early retirement incentive
- M. Juvenile court schools
- N. Middle and early college high schools
- Q. Apprenticeship: Related and supplemental instruction
- U. After/Before school education and safety program - before school
- Y. Independent study-course based

Since the charter schools sponsored by the District are excluded from the audit of the District, all steps related to the following were not performed:

- AA. Attendance
- BB. Mode of instruction
- CC. Nonclassroom-based instruction/independent study
- DD. Determination of funding for nonclassroom-based instruction
- EE. Annual instructional minutes – classroom based
- FF. Charter school facility grant program

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

(Continued)

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, and 2024-008. Our opinion on state compliance is not modified with respect to these matters.

### ***The District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit and 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 compliance and, accordingly, we express no opinion on it.

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

(Continued)

### Report on Internal Control Over Compliance

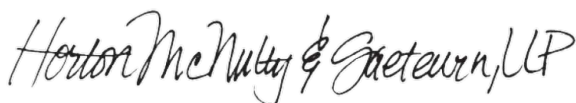
Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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, that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-005, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit and 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 compliance and, accordingly, we express no opinion on it.

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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



February 7, 2025  
Chico, California

## **FINDINGS AND QUESTIONED COSTS SECTION**

**Paradise Unified School District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2024

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**SECTION I**  
**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

|  |            |
|--|------------|
| Type of auditors' report issued:                             | Unmodified |
| Internal control over financial reporting:                   |            |
| Are any material weaknesses identified?                      | No         |
| Are any significant deficiencies identified?                 | Yes        |
| Is any noncompliance material to financial statements noted? | No         |

**FEDERAL AWARDS**

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Are any material weaknesses identified?  | No            |
| Are any significant deficiencies identified?   | None reported |
| Type of auditors' report issued on compliance for major program:                                   | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| Identification of major programs:  |               |
| AL No. 84.425 COVID-19 – Education Stabilization Fund (ESF)  |               |
| Threshold for distinguishing types A and B programs:   | \$750,000     |
| Auditee qualified as low-risk auditee?   | No            |

**STATE AWARDS**

|   |            |
|---|------------|
| Internal control over state programs:                             |            |
| Are any material weaknesses identified?                           | No         |
| Are any significant deficiencies identified?                      | Yes        |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

**SECTION II FINDINGS**  
**FINANCIAL STATEMENTS AUDIT**

**INTERNAL CONTROL (Student Body Accounts)**  
30000 (2024-001)

**Significant Deficiency**

**Condition** During our testing of student body accounts, we noted the following:

**For Paradise High School:**

1. For four of 10 disbursements tested, although the purchase was approved by the required parties, it was approved after the purchase occurred.
2. For five of 10 cash receipts tested, no reconciliation of sales such as a tally sheet was provided. In addition, one of the five exceptions had no event cash count sheet; therefore, it appears a double count was not performed prior to leaving the event.
3. One of 10 cash receipts tested was not deposited timely.
4. One of 10 cash receipts tested related to receipts processed through electronic payment. As no record of sales was kept, we were unable to determine the completeness of the electronic receipts.

**For Paradise Intermediate School:**

5. For two of two disbursements tested, a preapproval form was not on file.
6. Two of two cash receipts tested were not deposited timely.
7. For one of two cash receipts tested, no reconciliation of sales such as a tally sheet was provided related to cash collected at events. As a result, we could not determine completeness of the deposit.

**Criteria** Internal control procedures should be implemented to ensure that:

1. Purchases should be approved by all required parties prior to incurring expenses. For unorganized student body accounts, this includes the advisor and District official. For organized student body accounts, the student council representative's approval must also be obtained. Approval dates of each party should be documented.
2. All cash received has proof of receipt date (i.e. by issuing pre-numbered receipts), to ensure timely deposits are made intact. Deposits should be clearly traceable from the point of collection by a school representative until deposited at the bank.
3. Tally sheets or other reconciliations are utilized for sales at events and reconciled to cash collected prior to leaving an event.
4. Cash receipts are dual counted and signed by both parties prior to leaving an event.
5. All supporting documents are retained.

**Effect** Without strengthening internal controls over cash receipts and cash disbursements, student body assets may not be properly safeguarded, may be susceptible to misappropriation, and may be expended on activities that are not valid.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

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**Cause** Due to staff transition, certain policies and procedures were lost in training.

**Context** The sample is statistically valid. The issues noted appear systematic.

**Repeat Finding** This finding relates to item 2023-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

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

**Response** The District's administration will implement procedures during 2024-25 to comply with the recommendation.

**Paradise Unified School District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2024

(Continued)

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**SECTION III FINDINGS**

**FEDERAL AWARDS AUDIT**

None.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

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#### SECTION IV FINDINGS

##### STATE AWARDS AUDIT

##### STATE COMPLIANCE (After School Education and Safety Program)

40000 (2024-002)

##### State Compliance

**Condition** Our test work over compliance with the After School Education and Safety Program resulted in the following:

1. We noted that the reasons and/or time of release for early release from the program were not always noted on the sign-out sheets at Paradise Ridge Elementary School.
2. During our review of the after school education and safety program, we noted that the program charged a flat fee to families of students that did not qualify for a waived fee (free or reduced-price meal eligible, homeless youth, foster care are not charged a fee). Although the program allows families to apply for a scholarship to waive the fees, the scholarship requires income below the poverty line and is not based on a sliding scale.

**Criteria** *California Education Code*, Section 8483(a)(1) requires every after-school program to establish a policy regarding reasonable early release of students from the program. The District's established policies require documentation of the reason for the early release. Early release from the program should be in accordance with the established policy and indicated on the sign-out sheets. Pursuant to *California Education Code*, Section 8482.6, if fees are charged to families, they must be determined based on a sliding scale that considers the family's income and ability to pay.

**Effect** The District was out of compliance with its established policies in regards to documentation of reason for early release. The District was not in compliance with the provisions of *California Education Code*, Section 8482.6.

**Cause** Unknown.

**Repeat Finding** This finding is related to item 2023-002, that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

**Context** The sample is statistically valid. This appears to be a pervasive issue.

**Recommendation** We recommend that the reason for early release be documented on the sign-out sheets. We recommend that if the program continues to charge fees, the fee structure complies with the provisions of *California Education Code*, Section 8482.6.

**Response** The District's administration will implement procedures during the 2024-25 fiscal year to comply with the recommendation.



## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

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#### STATE COMPLIANCE (Ratio of Administrative Employees to Teachers)

40000 (2024-003)

##### State Compliance

**Condition** The District is not in compliance with the administrative employee-to-teacher ratio requirement under *California Education Code*, Section 41402. The District is two full time equivalent (FTE) administrative employees over the administrative limit as calculated under *California Education Code*, Section 41401 and 41403.

**Criteria** *California Education Code*, Section 41402, limits the number of administrators per hundred teachers to not exceed 0.08 for unified districts.

**Effect** The current administrative employee-to-teacher ratio is .10, which is equivalent to two administrative FTE over the allowable limit. This results in a penalty of \$163,192. However, pursuant to *California Education Code*, Section 41404.5(c), the District is exempt from this penalty for the 2023-24 fiscal year.

**Cause** As the District continues to recover from the Camp Fire, meeting the required ratio is a challenge.

**Context** This is an annual compliance requirement.

**Repeat Finding** This is a repeat finding of item 2022-003 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

**Recommendation** The District should implement procedures to ensure that the administrative employee-to-teacher ratio is no greater than 0.08, as specified in *California Education Code*, Section 41404.

**Response** The current provisions of *California Education Code*, Section 41404.5(c) are only applicable through the 2023-24 fiscal year. The District is seeking additional relief to extend the exemption of the penalty to future fiscal years to allow the District to continue to recover from the Camp Fire.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

#### STATE COMPLIANCE (Independent Study)

40000 (2024-004)

##### State Compliance

**Condition** During our testing over independent study, we noted the following:

1. For three of eight students selected for testing, the learning agreement utilized was an old version which did not include all required elements.
2. For four of eight students selected for testing, the learning agreement was not signed and dated by all required parties, or at least one of the parties signed the agreement after the allowable timeframe.

**Criteria** *California Education Code*, Section 51747 requires that:

1. Learning agreements and supporting documents must include all required elements, and be signed and dated by the required parties within the required timeframes.

**Effect** The District was not in compliance with the provisions of *California Education Code*, Section 51747. As a result, the average daily attendance (ADA) in the Second Period Attendance School District report was overstated by 1.13 ADA and ADA in the Annual Attendance School report was overstated by 1.02 ADA. The disallowed ADA and derived value, which includes all independent study ADA generated by the District, is as follows:

| Grade Span                         | TK/K-3       | 7-8          | 9-12         | Totals    |
|------------------------------------|--------------|--------------|--------------|-----------|
| Second Period Report               | 0.06         | 0.02         | 1.05         | 1.13      |
| Annual Report                      | 0.04         | 0.00         | 0.98         | 1.02      |
| Derived value of ADA by grade span | \$ 13,457.85 | \$ 12,740.16 | \$ 15,148.84 |           |
| Calculated derived value of ADA    | \$ 807       | \$ 255       | \$ 15,906    | \$ 16,968 |

**Cause** Unknown.

**Context** The sample is statistically valid. It appears the noncompliance is insignificant to the program.

**Repeat Finding** This is related to item 2023-005 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

**Recommendation** We recommend that the District amend the Second Period and Annual Attendance School District reports to exclude the ADA noted above, and implement policies and procedures to comply with the provisions of *California Education Code*, Section 51747.

**Response** The District's administration will amend the Second Period and Annual Attendance School District reports, and will implement procedures during 2024-25 to comply with the recommendation.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

#### ATTENDANCE

10000 (2024-005)

##### State Compliance and Significant Deficiency in Internal Control Over Compliance

**Condition** Although the average daily attendance (ADA) per the attendance reports appears accurate based on our testing, ADA in the Second Period Attendance School District Report was understated by 26.49 ADA when reconciled to the attendance system reports and ADA in the Annual Attendance School District Report was understated by 14.12 ADA.

In addition, we noted that for five of 15 teachers selected for testing, the attendance registers were signed; however, signatures were not completed timely.

**Criteria** Pursuant to *California Education Code*, Section 44809 and *California Code of Regulations*, Title 5, Section 400-401, schools must maintain records of pupil attendance. The ADA totals reported to the California Department of Education should be supported by an accurate summary of apportionment attendance.

Pursuant to *California Education Code*, Section 44809 and *California Code of Regulations*, Title 5, Sections 400-401, schools must maintain records of pupil attendance. These written attendance records should be prepared daily and signed weekly by the teacher who instructed the students.

**Effect** ADA in the Second Period Attendance School District Report was understated by 26.49 ADA and ADA in the Annual Attendance School District Report was understated by 14.12 ADA. The derived value of the ADA is \$398,772, calculated as follows:

| Grade Span                         | TK/K-3       | 4-6          | 7-8          | 9-12         | Totals     |
|------------------------------------|--------------|--------------|--------------|--------------|------------|
| Second Period Report               | (0.05)       | 0.21         | 0.84         | 25.49        | 26.49      |
| Annual Report                      | -            | -            | (0.40)       | 14.52        | 14.12      |
| Derived value of ADA by grade span | \$ 13,457.85 | \$ 12,373.95 | \$ 12,740.16 | \$ 15,148.84 |            |
| Calculated derived value of ADA    | \$ (673)     | \$ 2,599     | \$ 10,702    | \$ 386,144   | \$ 398,772 |

In addition, untimely signatures on attendance registers may result in average daily attendance not being accurately reported to the California Department of Education.

**Cause** Clerical error led to the misstatement. Established procedures for signatures on attendance registers were not consistently followed.

**Context** The sample size is statistically valid. The clerical error appears to be an isolated error. Untimely signatures appear to occur from time to time.

**Repeat Finding** This finding is related to item 2023-006, that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

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**Recommendation** Attendance worksheets prepared to summarize the days of apportionment attendance shall be reviewed for accuracy. The District should amend the Second Period and Annual Attendance School District Reports for the ADA identified above. In addition, the District should maintain written records of attendance that are prepared daily and signed weekly by the teacher who instructed the students.

**Response** The District's administration will adopt procedures during fiscal year 2024-25 to comply with the recommendation, and will amend the Second Period and Annual Attendance School District Reports.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

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#### STATE COMPLIANCE (Home to School Transportation)

40000 (2024-006)

##### State Compliance

**Condition** Nine of the 27 home-to-school (HTS) transportation expenditures (function 3600) selected for testing were inconsistent with the definition in the California School Accounting Manual (CSAM).

**Criteria** Per *California Education Code*, Section 41580.1 the home-to-school transportation expenditures reported to the California Department of Education, must be consistent with the definition of home-to-school transportation expenditures as defined in CSAM and identified using resource function code 3600.

**Effect** The expenditures in function 3600 were overstated, calculated as follows:

Fiscal Year Ended June 30, 2024

|   |           |               |
|---|-----------|---------------|
| Total unadjusted HTS transportation expenditures<br>(excluding capital outlay and nonagency expenditures)                       | \$        | 1,369,326     |
| Unadjusted expenditure amount equal to 60%<br>of total unadjusted transportation expenditures                                   |           | 821,596       |
| <b>Total Unallowable HTS Transportation Expenditures</b>  | <b>\$</b> | <b>11,113</b> |
| Total adjusted HTS transportation expenditures<br>(excluding capital outlay and nonagency expenditures)                         | \$        | 1,358,213     |
| Adjusted expenditure amount for reimbursement calculation<br>equal to 60% of the total adjusted HTS transportation expenditures |           | 814,928       |
| <b>Estimated Dollar Impact</b>  | <b>\$</b> | <b>6,668</b>  |

**Cause** The cause for the misclassifications to function 3600 is unknown.

**Context** The finding is not considered a pervasive issue. The sample is statistically valid.

**Repeat Finding** No, this is not a repeat finding.

**Recommendation** We recommend that the District review the expenditures coded to function 3600 to determine consistency with the CSAM prior to closing each fiscal year.

**Response** The District's management will adopt procedures during fiscal year 2024-25 to comply with the recommendation.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

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#### STATE COMPLIANCE (Kindergarten Continuance)

40000 (2024-007)

##### State Compliance

**Condition** One pupil who turned six years old by September 1, 2023, continued in kindergarten during 2023-24 after completing one school year of kindergarten or transitional kindergarten and did not have on file a properly completed Kindergarten Continuance Form or a signed alternative kindergarten continuance parental agreement, approved in form and content by the California Department of Education (CDE).

**Criteria** Pursuant to *California Education Code*, Section 46300(g)(1), attendance of pupils in kindergarten after they have completed one school in kindergarten or transitional kindergarten, should only be included if one of the following conditions is met:

- 1) The District has on file for each of the pupils an agreement made pursuant to *California Education Code*, Section 48011, signed by the pupil's parent or guardian, and approved in form and content by the CDE, allowing the student to continue in kindergarten for not more than one additional year; or
- 2) The pupils participated in transitional kindergarten in the prior year in accordance with *California Education Code*, Section 48000(c).

**Effect** The District was not in compliance with the provisions of *California Education Code*, Section 46300(g)(1). As a result, the Average Daily Attendance (ADA) for the Second Period report of attendance was overstated by 1.00 ADA and Annual report of attendance was overstated by 0.98 ADA for this pupil. The derived value of the ADA is \$13,457.85, calculated as the derived value of grade span TK-3 ADA of \$13,457.85, multiplied by 1.00 ADA.

**Cause** Unknown.

**Context** The sample is statistically valid. The item noted appears isolated.

**Repeat Finding** No, this is not a repeat finding.

**Recommendation** We recommend that both the Second Period and Annual report of attendance be amended for the disallowed ADA noted above. We also recommend that the District adopt procedures to ensure that a properly signed and executed Kindergarten Continuance Form or a signed alternative kindergarten continuance parental agreement, approved in form and content by the CDE, is obtained prior to continuing pupils in kindergarten after the pupils have completed one school year of kindergarten or transitional kindergarten, unless eligible for continuance in accordance with criteria two above.

**Response** The District's administration will adopt procedures during the 2024-25 fiscal year to comply with the recommendation.

## Paradise Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

(Continued)

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#### CLASSROOM TEACHER SALARIES

61000 (2024-008)

##### State Compliance

**Condition** The District is not in compliance with the required minimum percentage for payment of classroom teachers' compensation under *California Education Code*, Section 41372(b). The District's percentage of current expense of education for classroom teachers' compensation was 54.48% for the fiscal year ended June 30, 2024.

**Criteria** *California Education Code*, Section 41732(b), required the District to expend 55% or greater of the District's current expense of education for payment of classroom teachers' compensation.

**Effect** The current expense of education for the District was \$30,954,384, and classroom teachers' compensation was \$16,865,248, resulting in a deficiency of \$160,963.

**Cause** The cause of the noncompliance is an increasing amount of expenditures from unrestricted funds under the local control funding formula, which makes meeting the required minimum percentage for payment of classroom teachers' compensation more difficult.

**Context** This is an annual required calculation.

**Repeat Finding** No, this is not a repeat finding.

**Recommendation** The District should ensure that a minimum of 55% of the current expense of education is for classroom teachers' compensation. We recommend that the District seek exemption approval from the County Superintendent of Schools, or deposit the deficiency of \$160,963 with the County Superintendent of Schools. If no application for exemption is approved, the District should add the deficiency of \$160,963 to the amounts expended for compensation of classroom teachers during the next fiscal year.

**Response** The District will apply for an exemption with the County Superintendent of Schools.

## **Paradise Unified School District**

### **CORRECTIVE ACTION PLAN**

June 30, 2024

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



## **Paradise Unified School District**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

June 30, 2024

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#### **INTERNAL CONTROL (Student Body Accounts)**

30000 (2023-001)

#### **Significant Deficiency**

**Condition** During our testing of student body accounts, we noted the following:

##### **For Paradise High School:**

1. For 2 of 10 disbursements tested, a preapproval form and/or invoice were not on file.
2. For 8 of 10 cash receipts tested, no prenumbered receipts or other records to document the initial collection of funds were retained. As a result, we could not determine if the deposit was made timely and complete.
3. For 3 of 10 cash receipts tested, no reconciliation of sales such as a tally sheet was provided, and a double count of cash received was not evident prior to leaving the event.

##### **For Paradise Intermediate School:**

4. For 1 of 1 disbursements tested, proper preapproval was not received.
5. For 2 of 2 cash receipts tested, no reconciliation of sales such as a tally sheet was provided related to cash collected at events.

##### **For Ridgeview High:**

6. For 2 of 2 disbursements tested, a preapproval form was not on file.
7. For 1 of 2 disbursements tested, the purchase was for an unallowable expense benefitting staff (Christmas party).

##### **For Paradise Ridge Elementary School:**

8. For 1 of 11 cash receipts tested, no prenumbered receipts or other records to document the initial collection of funds were retained, and a double count of cash received was not evident prior to leaving the event.

##### **For Pine Ridge Elementary School:**

9. For 1 of 1 cash receipts tested, no prenumbered receipts or other records to document the initial collection of funds were retained.

## Paradise Unified School District

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2024

(Continued)

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**Criteria** Internal control procedures should be implemented to ensure that:

1. Purchases should not be made for unallowable student body purchases.
2. Purchases should be approved by all required parties prior to incurring expenses. For unorganized student body accounts, this includes the advisor and District official. For organized student body accounts, the student council representative's approval must also be obtained. Approval dates of each party should be documented.
3. All cash received has proof of receipt date (i.e. by issuing pre-numbered receipts), to ensure timely deposits are made intact. Deposits should be clearly traceable from the point of collection by a school representative until deposited at the bank.
4. Tally sheets or other reconciliations are utilized for sales at events and reconciled to cash collected prior to leaving an event.
5. Cash receipts are dual counted and signed by both parties prior to leaving an event.
6. All supporting documents are retained.

**Effect** Without strengthening internal controls over cash receipts and cash disbursements, student body assets may not be properly safeguarded, may be susceptible to misappropriation, and may be expended on activities that are not valid.

**Cause** Due to staff transition, certain policies and procedures were lost in training.

**Context** The sample is statistically valid. The issues noted appear systematic.

**Repeat Finding** This finding relates to item 2022-001 that was reported in the 2021-22 Schedule of Findings and Questioned Costs.

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

**Current Status** See current-year finding in the schedule of findings and questioned costs (item 2024-001).

## Paradise Unified School District

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2024

(Continued)

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#### STATE COMPLIANCE (After School Education and Safety Program)

40000 (2023-002)

##### State Compliance

**Condition** Our test work over compliance with the After School Education and Safety Program resulted in the following:

1. We noted that the reasons and/or time of release for early release from the program were not always noted on the sign-out sheets (seven instances at Pine Ridge Elementary School, two instances at Paradise Junior High School, and consistently not completed at Paradise Ridge Elementary School).

**Criteria** *California Education Code*, Section 8483(a)(1) requires every after-school program to establish a policy regarding reasonable early release of students from the program. The District's established policies require documentation of the reason for the early release. Early release from the program should be in accordance with the established policy and indicated on the sign-out sheets.

**Effect** The District was out of compliance with its established policies in regards to documentation of reason for early release. This noncompliance has no fiscal impact.

**Cause** Established policies for early release were not consistently followed.

**Repeat Finding** This finding is related to item 2022-002, that was reported in the 2021-22 Schedule of Findings and Questioned Costs.

**Context** The sample is statistically valid. This appears to be a pervasive issue.

**Recommendation** We recommend that the reason for early release be documented on the sign-out sheets.

**Current Status** See current-year finding in the schedule of findings and questioned costs (item 2024-002).

## Paradise Unified School District

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2024

(Continued)

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#### STATE COMPLIANCE (Ratio of Administrative Employees to Teachers)

40000 (2023-003)

##### State Compliance

**Condition** The District is not in compliance with the administrative employee-to-teacher ratio requirement under *California Education Code*, Section 41402. The District reported two full time equivalent (FTE) administrative employees over the administrative limit as calculated under *California Education Code*, Section 41401 and 41403.

**Criteria** *California Education Code*, Section 41402, limits the number of administrators per hundred teachers to not exceed 0.08 for unified districts.

**Effect** The current administrative employee-to-teacher ratio is .10, which is equivalent to two administrative FTE over the allowable limit. This results in a penalty of \$140,406. However, *California Education Code*, Section 41404.5(c) exempts the District from a reduction in state support related to the ratio of administrative employees to teachers for fiscal years 2021-22 through 2023-24, therefore the District is not subject to the fiscal penalty.

**Cause** Unknown.

**Context** This is an annual compliance requirement.

**Repeat Finding** This is a repeat finding of item 2022-003 that was reported in the 2021-22 Schedule of Findings and Questioned Costs.

**Recommendation** The District should implement procedures to ensure that the administrative employee-to-teacher ratio is no greater than 0.08, as specified in *California Education Code*, Section 41404.

**Current Status** See current-year finding in the schedule of findings and questioned costs (item 2024-003).

**Paradise Unified School District**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2024  
(Continued)

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**STATE COMPLIANCE (Immunizations)**  
40000 (2023-004)

**State Compliance**

**Condition** During our test work over immunizations, it was noted that one of nine transitional kindergarten through first grade pupils selected for testing were enrolled without meeting the vaccination requirements for varicella and measles. The pupil was not excluded from average daily attendance (ADA) reported to the California Department of Education.

**Criteria** Pursuant to *California Code of Regulations*, Title 17, Section 6025, pupils entering transitional kindergarten or kindergarten, or first grade if kindergarten is skipped, must provide a valid immunization record documenting administration of two doses of varicella vaccine and two doses of measles vaccine, or have on file a current medical exemption from immunization before admission. Pupils that have had one dose of immunizations within four months prior to enrollment, may be conditionally enrolled and monitored for the second dose. Pupils who fail to obtain the required immunizations or have a valid exemption on file shall be excluded from attendance.

**Effect** The District was not in compliance with the provisions of *California Code of Regulations*, Title 17, Section 6025. As a result, ADA reported to the California Department of Education in Second Period Attendance School District report was overstated by 0.47 ADA and ADA in the Annual Attendance School District report was overstated by 0.37 ADA. The disallowed ADA and derived value, is as follows:

| Grade                                    | TK           |
|--|--------------|
| Second Period Report                     | 0.47         |
| Annual Report                            | 0.37         |
| Derived value of ADA for TK-3 grade span | \$ 12,374.32 |
| Calculated derived value of ADA          | \$ 5,816     |

**Cause** Unknown.

**Context** This appears to be an isolated incident. The sample is statistically valid.

**Repeat Finding** This is a repeat finding of item 2022-006 that was reported in the 2021-22 Schedule of Findings and Questioned Costs.

**Recommendation** We recommend the District implement procedures to monitor required immunizations, and exclude pupils from attendance until required immunizations are received. We also recommend that the District amend the Second Period and Annual Attendance School District reports for the disallowed ADA.

**Current Status** Fully implemented.

**Paradise Unified School District**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2024  
(Continued)

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**STATE COMPLIANCE (Independent Study)**  
40000 (2023-005)

**State Compliance**

**Condition** During our testing over independent study, we noted the following:

1. For two of eight students selected for testing, the due date of the work packet was noted as later than the end of the agreement, which could be construed as allowing for makeup work.
2. For three of eight students selected for testing, the learning agreement utilized was an old version which did not include all required elements.
3. For three of eight students selected for testing, the learning agreement was not signed by all required parties, or at least one of the parties signed the agreement after the allowable timeframe.
4. One of eight students selected for testing participated greater than 14 days however evidence of participation in the synchronous instruction or live interaction offering was not on file.

**Criteria** *California Education Code*, Section 51747 requires that:

1. Independent study work is submitted on the return to school date/specified due date.
2. Learning agreements and supporting documents must include all required elements, and be signed and dated by the required parties within the required timeframes.
3. For students that participate in independent study greater than 14 cumulative schooldays during the year, participation in the synchronous instruction or live interaction offering, as applicable, is retained.

**Effect** The District was not in compliance with the provisions of *California Education Code*, Section 51747. As a result, the average daily attendance (ADA) in the Second Period Attendance School District report was overstated by 0.20 ADA and ADA in the Annual Attendance School report was overstated by 0.17 ADA. The disallowed ADA and derived value, which includes all independent study ADA generated by the District, is as follows:

| Grade Span                         | TK/K-3       | 7-8          | 9-12         | Totals   |
|------------------------------------|--------------|--------------|--------------|----------|
| Second Period Report               | 0.04         | 0.04         | 0.12         | 0.20     |
| Annual Report                      | 0.03         | 0.03         | 0.11         | 0.17     |
| Derived value of ADA by grade span | \$ 12,374.32 | \$ 11,715.19 | \$ 13,929.83 |          |
| Calculated derived value of ADA    | \$ 495       | \$ 469       | \$ 1,672     | \$ 2,636 |

**Cause** Unknown.

**Context** The sample is statistically valid. It appears the noncompliance is insignificant to the program.

**Repeat Finding** This is related to item 2022-004 that was reported in the 2021-22 Schedule of Findings and Questioned Costs.

## Paradise Unified School District

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2024

(Continued)

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**Recommendation** We recommend that the District amend the Second Period and Annual Attendance School District reports to exclude the ADA noted above, and implement policies and procedures to comply with the provisions of *California Education Code*, Section 51747.

**Current Status** See current-year finding in the schedule of findings and questioned costs (item 2024-004).

**Paradise Unified School District**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2024  
(Continued)

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**ATTENDANCE**  
10000 (2023-006)

**State Compliance**

**Condition** Although the average daily attendance (ADA) per the attendance reports appears accurate based on our testing, ADA in the Second Period Attendance School District Report was understated by 10.64 ADA when reconciled to the attendance system reports and ADA in the Annual Attendance School District Report was understated by 12.61 ADA.

**Criteria** Pursuant to *California Education Code*, Section 44809 and *California Code of Regulations*, Title 5, Section 400-401, schools must maintain records of pupil attendance. The ADA totals reported to the California Department of Education should be supported by an accurate summary of apportionment attendance.

**Effect** ADA in the Second Period Attendance School District Report was understated by 10.64 ADA and ADA in the Annual Attendance School District Report was understated by 12.61 ADA. The derived value of the ADA is \$140,529, calculated as follows:

| Grade Span                         | TK/K-3       | 4-6          | 7-8          | 9-12         | Totals     |
|------------------------------------|--------------|--------------|--------------|--------------|------------|
| Second Period Report               | 0.71         | 0.60         | 2.28         | 7.05         | 10.64      |
| Annual Report                      | 3.13         | 0.35         | 2.00         | 7.13         | 12.61      |
| Derived value of ADA by grade span | \$ 12,374.32 | \$ 11,377.68 | \$ 11,715.19 | \$ 13,929.83 |            |
| Calculated derived value of ADA    | \$ 8,786     | \$ 6,827     | \$ 26,711    | \$ 98,205    | \$ 140,529 |

**Cause** Clerical error led to the misstatement.

**Context** This appears to be an isolated error.

**Repeat Finding** No, this is not a repeat finding.

**Recommendation** Attendance worksheets prepared to summarize the days of apportionment attendance shall be reviewed for accuracy. The District should amend the Second Period and Annual Attendance School District Reports for the ADA identified above.

**Current Status** See current-year finding in the schedule of findings and questioned costs (item 2024-005).



## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Paradise Unified School District (the “District”) in connection with the execution and delivery of \$\_\_\_\_\_ of the District’s 2025 Certificates of Participation (the “Certificates”). The Certificates are being delivered pursuant to a Resolution adopted by the Board of Trustees of the District on February 18, 2025 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Certificates by the District and the purchase of such Certificates by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Raymond James & Associates, Inc. (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Certificates or any beneficial owner of the Certificates so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Certificates have been assigned. The Final Official Statement relating to the Certificates is dated \_\_\_\_\_, 2025 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2025, which would be due on April 1, 2026, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. 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 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and
- (ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

- (i) Adopted general fund budget for the current fiscal year;
- (ii) Assessed valuations, as shown on the most recent equalized assessment roll;
- (iii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll; and
- (iv) Secured tax charges and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Certificates not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Adverse tax opinions with respect to the tax status of the Certificates or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Certificates;
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, not later than ten (10) Business Days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates;
- (ii) Modifications of rights to Bond holders;
- (iii) Bond calls;

- securities;
- (iv) Release, substitution or sale of property securing repayment of the securities;
  - (v) Non-payment related defaults;
  - (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
  - (vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; and
  - (viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders;

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Certificates, as provided in the Rule, upon the defeasance, prior prepayment or payment in full of all of the Certificates.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the

Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Certificates, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Certificates.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Special Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: \_\_\_\_\_, 2025

PARADISE UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

ACCEPTED BY DISSEMINATION AGENT:

ISOM ADVISORS, A DIVISION OF URBAN FUTURES, INC.

By: \_\_\_\_\_  
[Authorized Officer]

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Paradise Unified School District

Name of Issue: \$\_\_\_\_\_ Paradise Unified School District (Butte County, California) 2025  
Certificates of Participation

Date of Issuance: \_\_\_\_\_, 2025

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Certificates as required by Section 4(a) of the Continuing Disclosure Agreement dated \_\_\_\_\_, 2025. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

[ISSUER/DISSEMINATION AGENT]

By: \_\_\_\_\_

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## **APPENDIX F**

### **BUTTE COUNTY INVESTMENT POLICY STATEMENT**

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**TROY KIDD**  
**TREASURER - TAX COLLECTOR**

COUNTY ADMINISTRATIVE BUILDING  
25 COUNTY CENTER DRIVE, SUITE 125  
OROVILLE, CALIFORNIA 95965-3384  
TELEPHONE: (530) 552-3730  
FAX: (530) 538-6450

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## **BUTTE COUNTY TREASURER**

### **STATEMENT OF INVESTMENT POLICY**

**Effective date: July 1, 2024**

#### **I. PURPOSE**

The purpose of this statement is to set forth the investment policy for Butte County, in accordance with California Government Code Section 53601 and following, for the investment of surplus funds and pooled funds under the custodianship of the Treasurer. Butte County's portfolio management is an active management strategy in that a broad range of market analysis techniques, investment options, and cash management tools are employed in making investment decisions.

#### **II. OBJECTIVES**

The objective of this policy is to obtain the highest feasible return consistent with a high degree of safety of principal and the level of liquidity necessary to meet the needs of the County and agencies participating in the Treasury. In that regard, safety and liquidity sufficient to meet cash flow needs are of primary concern. Return is secondary and subordinate to safety and liquidity in making investment decisions.

#### **III. SETTING TREASURY FEES**

Treasury fees, which include but are not limited to the costs of banking, cash management, accounting, investment and required audits, are set annually based on final budget expenditures from the previous fiscal year and the adopted final budget for the fiscal year in question. The Treasurer shall deduct from the gross interest received those actual administrative costs relating to the management of the treasury including salaries and other compensation, banking costs, facilities costs, costs of fixtures, equipment and supplies, costs of information services, audits and any other costs as provided by Section 27013 of the Government Code. Salary and benefits are pro-rated between the Treasury / Tax Collector / Central Collections Divisions, based on payroll timesheet records. Costs directly attributable to a specific division, department or other entity (i.e. bank service charges) are identified and added to that division's or entity's annual costs. All remaining costs are then prorated based on the percentages derived from timesheet records. Once determined, the total operating cost for the Treasury Division is used as both an estimate for that year's costs and as the basis for any adjustments to the prior year's estimate. A similar internal cost accounting system is maintained by the Auditor's office; costs and actual timesheet analysis are used for their charges.

#### **IV. METHOD OF APPORTIONMENT**

Earnings, net of Treasury and Auditor costs, are apportioned quarterly on a cash basis, equally between all pooled funds on deposit in the Treasury, based on each fund's average daily balance for that quarter. The effective date earnings are deposited into each fund may vary, dependent upon available fund balance (derived from earnings actually received on individual investments).

#### **V. TERMS AND CONDITIONS UNDER WHICH OUTSIDE MONEY MAY BE DEPOSITED INTO THE COUNTY TREASURY**

Outside money may be accepted from agencies and other entities not required to deposit into the County Treasury on a case-by-case contract basis and only upon approval by the Treasurer. The contract will address dollar size, term, how the funds are to be invested and withdrawn as well as how administrative and other costs will be assessed.

#### **VI. TERMS AND CONDITIONS FOR WITHDRAWAL OF FUNDS FOR INVESTMENT OUTSIDE THE COUNTY TREASURY**

Any agency desiring to withdraw money on deposit with the County Treasury, for investment or deposit outside of the Treasury, must submit such request in writing at least thirty days prior to the anticipated withdrawal date. The request must state the amount, purpose and estimated date of withdrawal. Each request will be considered on the basis of conclusive proof that the withdrawal for outside investment will not work to the detriment of the other participants in the Treasury pool. The Treasurer reserves the right to adjust the principle amount of the withdrawal to market value at the time of withdrawal.

#### **VII. DEPOSITS**

Deposits consist of active and inactive deposits in state or national banks, state or federal savings and loan associations or consumer savings banks doing business in the State of California. Deposits are considered passive in nature in that they are purchased with a specific maturity and liquidity need in mind, based on cash flow analysis. Deposits will be placed with institutions approved by the Treasurer based on their latest audited financial statements and regulatory reports.

No more than 15 percent (15%) of the entire portfolio at the time the deposit is made will be in any one bank, savings bank or savings and loan association, and any such deposit will be either fully insured or collateralized in accordance with California Government Code Section 53630 through 53664. The Treasurer will determine, after a review of the most recent financial statements, the dollar limits that may be placed with each eligible institution.

Deposits will be placed through a competitive bidding process whereby at least three (3) institutions offer quotes. Placement will, in most circumstances, be with the highest quote, provided that maturity, diversification, dollar limitations and liquidity needs are consistent with this policy.

A local preference policy will allow that up to three per cent (3%) of the portfolio may be placed with financial institutions doing business in the County and approved by the Treasurer based on an analysis of their current financial reports and audits. The amount set aside will be placed with local institutions on a competitive basis. Yields must be within fifty basis points (.50%) of comparable U.S. Treasury securities and the term of deposit timed to meet liquidity needs. Maturity of deposits will not exceed two (2) years, except when it may be extended to avoid weekend or holiday maturity; however, maturity of deposits may be extended for up to five (5) years upon prior written approval of the Treasurer.

Non-negotiable receipts/certificates of deposit, if issued, will be maintained in vault custody at the Treasurer's Office and do not fall within third party custody guidelines. Bank statements and collateralization statements may be retained in electronic format.

## **VIII. INVESTMENT AUTHORITY AND ALLOWABLE INVESTMENTS**

Investment authority is delegated to the Treasurer by the Board of Supervisors, in accordance with California Government Code Section 53607, by ordinance 4083 dated June 10, 2014, which reads:

"2-166 Investment authority.

Pursuant to California Government Code Section 27000.1, subject to Section 53607, the County Treasurer is hereby delegated the authority to invest or reinvest the funds of the County and the funds of the other depositors in the County Treasury, pursuant to Chapter 4 (commencing with Government Code Section 53600) of Part 1 of Division 2 of Title 5 of the Government Code. The County Treasurer shall assume full responsibility for those transactions until the Board of Supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation."

Annual approval of this Investment Policy by the Board of Supervisors constitutes renewal of the annual delegation of investment authority to the Treasurer, effective July 1 of each year.

Investments include any of the instruments described in California Government Code Section 53601, paragraphs (a) and following, and use of such instruments is further restricted later in this policy. Where no term or remaining limitation is referenced, it is understood that no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or authorized securities lending agreement that, at the time of the investment, has a term remaining to maturity in excess of five years. An exception to this policy applies only if the Board of Supervisors has granted express authority to make that investment, either specifically or as part of an investment program approved by the Board of Supervisors, no less than three months prior to the investment. Eligible instruments for investment, including maximum term and maximum percentage of portfolio and California Government Code Section authorization, are itemized below:

A. Bonds issued by the County, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the County or by a department, board, agency or authority of the County. (5 years, 100%) 53601 (a)

B. United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for payment of principal and interest, except that mortgage pool certificates through the Government National Mortgage Association (GNMA, "Ginnie Mae") are not an allowable investment. (5 years, 100%) 53601 (b)

C. Bonds, notes, warrants or other evidence of indebtedness of the state of California, or any of the other 49 states of the United States, including bonds payable out of the revenues from revenue producing property owned, controlled, or operated by a state or by a department, board, agency or authority of a state. (5 years, 100%) 53601 (c & d)

D. Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. (5 years, 100%) 53601 (e)

E. Local Agency Investment Fund, California State Treasurer's Office. (liquid funds, 100%) California Government Code Section 16429.1

F. U.S. government sponsored enterprise obligations, or obligations issued by agencies of the federal government such as: Federal National Mortgage Association (FNMA, Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC, "Freddie Mac"), Federal Farm Credit Bank (FFCB, "Farm Credit"), Student Loan Marketing Association (SLMA, "Sallie Mae"), Federal Agricultural Mortgage Corporation (FAMCA, "Farmer Mac"), or Tennessee Valley Authority (TVA), debentures or discount notes. (5 years, 100%) 53601 (f)

G. Bills of Exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are eligible for purchase by the Federal Reserve System. (180 days, 40%, 30% max. of any one issuer) 53601 (g)

H. Commercial paper of "prime" quality, consistent with provisions of Government Code Sections 53601 (h) & 53635. (270 days, 25%, max. 10% of any one issuer)

I. Negotiable certificates of deposit issued by institutions with a minimum "AA" rating and consistent with provisions of Government Code Section 53638. FDIC insured negotiable certificates are not rated but are considered to have the same rating as the U.S. Government for risk assessment purposes. **Non-FDIC insured certificates with maturities exceeding two (2) years from the date of the investment require the written approval of the Treasurer.** (5 years, 30%) 53601 (i)

J. Investments in repurchase agreements (maximum 1 year maturity) and reverse repurchase agreements (maximum 92 day maturity) that are consistent with the provisions of Government Code 53601 (j)1 - 5 and are comprised of securities described as allowable investments in this Statement of Investment Policy. **Investments in repurchase agreements require the prior written approval of the Treasurer. Additionally, investments in reverse repurchase agreements require prior Board of Supervisors' approval** and shall only be made through primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has or has had a significant banking relationship with the County. (20%) 53601 (j)

K. Medium-term/corporate notes consistent with provisions of Government Code Section 53601 (k). (5 years, 30%)

L. Shares of beneficial interest issued by diversified management companies that invest in securities and obligations authorized by subdivisions (a) to (k), inclusive, and (n) & (o) and are consistent with the provisions of 53601 (l). (20%, and no more than 10% in any one mutual fund). **Any investment in mutual funds or other diversified management companies requires the prior written approval of the Treasurer.**

M. Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of the County, or certificates of participation in the same, may be invested in accordance with statutory provisions governing their issuance or in accordance with the ordinance, resolution, indenture or agreement of the County. 53601 (m)

N. Notes, bonds or other obligations, secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing County deposits, having a market value at least equal to that required by Section 53652 for the purpose of securing County deposits (collateralized deposits). **Any such investment requires the prior written approval of the Treasurer.** 53601 (n)

O. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum of five years maturity and, further, meets all provisions of Government Code Section 53601 (o). **Any such investment requires the prior written approval of the Treasurer.** (5 years, 20%)

P. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in 53601 (a) to (r), inclusive, and further, is consistent with the provisions of Government Code Section 53601 (p).

Q. US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank of Reconstruction and Development (IBRD), International Finance Corporations (IFC), or Inter-American Development Bank (IADB), that are eligible for purchase and sale within the U.S. 53601 (q) (AA minimum rating, 5 years, 30%)

R. Pursuant to Section 53601.8, investments in deposits by means of selecting a depository institution (nationally or state chartered commercial bank, savings bank, savings and loan association or credit union) that participates in a private sector entity placement service whereby deposits are fully insured by the Federal Deposit Insurance Corporation or the National Credit Union Association through reciprocal placement agreements. This provision is scheduled to expire as of January 1, 2026. 53601.8 (5 years, 50%)

No security may be purchased which does not receive an income payment within one year of the date of purchase and semi-annually thereafter, except investments in mutual funds or shares of beneficial interest issued by diversified management companies pursuant to Government Code Section 53601 (I).

## **IX. MANAGEMENT OF INVESTMENTS**

Persons authorized to make investments for the County are the Treasurer, Assistant Treasurer and the Banking and Cash Management Supervisor.

All securities shall be delivered to a third party (safekeeping service), either for book entry or physical delivery as dictated by the type of security, and shall be on a strict delivery versus payment basis. An independent verification and confirmation system is provided by this safekeeping in addition to internal record keeping. Internally, confirmation of details relating to all purchases/trades shall be made by a second party within the Treasurer's Office, usually the Banking and Cash Management Supervisor. Security transactions shall be with primary and/or regional broker-dealers authorized by the Treasurer. Broker-dealers will be selected by the Treasurer based on financial viability and the ability to provide service in accordance with Government Code Section 27133 (a). The selection of any broker, dealer or securities firm that has, within any consecutive 48-month period following 1/1/96, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices, shall be prohibited.

Purchases/sales of banker's acceptances, commercial paper and medium term notes and corporate notes may be made directly from/to the accepting bank or paper issuer. Purchases/sales of any security or other investment shall be on a competitive basis with bids/offers received from two dealers/issuers or, at the discretion of the Treasurer or Assistant Treasurer, from an individual dealer based on past performance, up-to-date investment analysis, market conditions, and current information available through an on-line financial service.

Securities not specifically mentioned in Section V. but included in applicable Government Code sections are allowable investments only on a case by case basis with prior written authorization from the Treasurer. Further, if there are limits in the applicable Code Sections as to the amount or maturity of securities purchased under this policy, those limits also apply.

Securities will be purchased to meet specific maturity and liquidity needs, with the intent to hold such until maturity. They shall become a "permanent" part of the investment portfolio; however, they may be sold prior to maturity as a result of favorable market conditions, or in consideration of liquidity needs, and provided the sale does not have significant adverse impact on portfolio yield.

## **X. OVERSIGHT COMMITTEE**

An oversight committee shall be appointed to periodically review the investment practices and results. Members, including advisory members, of the oversight committee and the Treasurer shall not in any calendar year receive in excess of two hundred fifty dollars (\$250) in honoraria, gifts, and gratuities from any advisor, broker, dealer, banker, or other person with whom the County Treasury conducts business. Also, any advisor, broker, dealer or banker cannot be appointed to the oversight committee within 36 months of making a campaign contribution exceeding limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

## XI. REPORTING

Reporting of investment activity will be consistent with applicable California Government Code Sections and Governmental Accounting Standards Board requirements. Reports made will include a statement of investment holdings reflecting the cost basis and fair market value and may include all transactions involving investments in securities. Treasurer's Investment Reports will be submitted to the Board of Supervisors and the Investment Pool Oversight Committee no later than 45 days after the end of the reporting period. Quarterly Reports will be made available to pool participants and other interested parties on the Treasurer's website at <http://www.buttecounty.net/ttc>.

Internally, the Assistant Treasurer will provide the Treasurer and Banking and Cash Management Supervisor with the detail of all trade and deposit transactions. Third party verification should be through the counterparty to the transaction (broker or financial institution), in addition to documentation received from safekeeping. The Banking and Cash Management Supervisor, or his/her designee, will be responsible for verification of the transactions, either by direct contact with the broker and/or financial institution or by monitoring confirmations, within five (5) business days of the transactions. When verification has been completed, the Treasurer shall review and sign all trade tickets.

The Banking and Cash Management Supervisor will oversee preparation and verification for each investment within the County's Investment Software program, the logging of investment activity on the daily count sheet and appropriate bank records (this also includes tracking and booking all maturities and income/interest payments). Final verification of purchases, sales and interest/coupon payments will be made via daily reconciliation of the County's commercial bank accounts. The Auditor-Controller shall periodically validate cash and investment balances utilizing safekeeping and other independent statements.

The Treasurer will cause to be performed a periodic review of the investment function to include:

- Comparison of investment records with those of independent statements and confirmations from brokers and institutions
- Review of the portfolio to ensure compliance with the Statement of Investment Policy
- Annual review of the Statement of Investment Policy



TROY KIDD, TREASURER  
COUNTY OF BUTTE

DATE: 7/01/2024



## APPENDIX G

### BOOK ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, premium, if any, and interest with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Reference made to [www.dtcc.com](http://www.dtcc.com) is presented as a link for additional information regarding DTC and is not a part of this Official Statement.*

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

6. Prepayment notices shall be sent to DTC. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, prepayment price and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 principal, prepayment price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Certificate Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Trustee. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred

by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Trustee's DTC account.

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

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

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE CERTIFICATES, THE TRUSTEE WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE CERTIFICATES CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.



