PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 16, 2019

NEW ISSUE -- FULL BOOK-ENTRY

RATINGS: Moody's: "Aaa"
Standard & Poor's: "AA+"
See "RATINGS" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$115,000,000*
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2012, Series E

Dated: **Date of Delivery** ***Due:*** **August 1, as shown on inside cover**

Authority and Purpose. The captioned bonds (the "Bonds") are being issued by the Santa Monica-Malibu Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on September 19, 2019 (the "Bond Resolution"). The Bonds were authorized at an election of the registered voters of the District held on November 6, 2012 (the "Authorization") which authorized the issuance of $385,000,000 principal amount of general obligation bonds to finance the renovation, construction and improvement of school facilities. The Bonds are the fifth and final series of bonds to be issued under the Authorization. See "THE FINANCING PLAN" and "THE BONDS – Authority for Issuance."

Security. The Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. The Board of Supervisors of Los Angeles County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS."

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

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

Payments. The Bonds are dated the date of delivery and are being issued as current interest bonds. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2020. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer and Tax Collector of Los Angeles, California, the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS."

MATURITY SCHEDULE
(see inside front cover)

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

*The Bonds will be offered when, as and if issued and accepted by the Underwriters, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the District. Norton Rose Fulbright US LLP, Los Angeles, California is serving as Underwriters' Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about November 6, 2019.**

RAYMOND JAMES

RBC Capital Markets

The date of this Official Statement is ____. 2019.

**Preliminary; subject to change.*

MATURITY SCHEDULE*

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2012, Series E

Base CUSIP†: 802498

Maturity Date (August 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP†

$____ - ___% Term Bonds maturing August 1, 20__; Yield: ___%; Price: ____; CUSIP(†):_____

*Preliminary; subject to change.

† CUSIP Copyright 2019, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriters take any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Involvement of Underwriters. The Underwriters have provided the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. In connection with the offering of the Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriters.

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

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Bonds.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)

BOARD OF EDUCATION OF THE DISTRICT

Dr. Richard Tahvildaran-Jesswein, *President*
Jon Kean, *Vice President*
Oscar de la Torre, *Member*
Craig Foster, *Member*
Maria Leon-Vazquez, *Member*
Laurie Lieberman, *Member*
Ralph Mechur, *Member*

DISTRICT ADMINISTRATION

Dr. Ben Drati, *Superintendent*
Melody Canady, *Assistant Superintendent, Business and Fiscal Services*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

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

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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

TABLE OF CONTENTS

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$115,000,000*
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2012, Series E

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery by the Santa Monica-Malibu Unified School District (the "**District**") of its General Obligation Bonds, Election of 2012, Series E, in the principal amount of $115,000,000* (the "**Bonds**").

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

The District; Basic Aid Status. The District was established in 1875 and includes within its boundaries the City of Santa Monica and the City of Malibu, as well as an unincorporated portion of the County. The District is composed of two distinct geographical areas, the Malibu schools area to the north and the Santa Monica schools area to the south, which are divided by a portion of territory which is part of Los Angeles Unified School District. The District currently operates 10 elementary schools, two middle schools, one K-8 school, one 6-12 school, one high school, one continuation high school, a regional occupation program, an adult education program, as well as child care and development centers. For fiscal year 2019-20, the District's enrollment is budgeted for 10,298 students. The District's revenue sources include a number of local sources, including a voter-approved parcel tax, a share of the City of Santa Monica's voter-approved transaction use taxes to be used for educational purposes, and revenues produced by facilities use agreements with the City of Malibu and the City of Santa Monica.

For purposes of education funding in the State of California, the District is a "**Basic Aid**" (also referred to as a "**Community Supported District**"), meaning that the District's share of local property taxes exceeds it funding entitlement under the State's education funding formula, and as such, the District is entitled to keep local property taxes that exceed what the District would have received under the State's funding formula. The result is a stable funding base that is less reliant than State-funded school districts on State budgets.

See "APPENDIX A – General and Financial Information About the District" and "APPENDIX C - General Information about the City of Malibu, the City of Santa Monica, and Los Angeles County."

**Preliminary; subject to change.*

Authority and Purpose of Issue; Financing Plan. The Bonds will be issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53506) (the "**Bond Law**") and pursuant to a resolution adopted by the Board of Education of the District on September 19, 2019 (the "**Bond Resolution**"). The Bonds are the fifth and final series of bonds issued by the District pursuant to an election held by the District on November 6, 2012 (the "**Bond Election**") at which more than 55% of the qualified electors of the District authorized the District to issue general obligation bonds in a principal amount of $385,000,000 (the "**Authorization**"). The net proceeds of the Bonds will be used to finance school facilities of the District as approved by District voters at the Bond Election. See "THE FINANCING PLAN" and "THE BONDS – Authority for Issuance" and "SOURCES AND USES OF FUNDS" herein.

Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes levied and collected by the County. The Board of Supervisors of the County has the power and is obligated to annually levy an *ad valorem* tax for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS" herein.

Form of Bonds. The Bonds are being issued as current interest bonds which will bear current interest and will mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for the Depository Trust Company ("**DTC**"). Purchasers will not receive physical certificates representing their interest in the Bonds. See "THE BONDS – General Description of the Bonds" and "– Book-Entry Only System," and "APPENDIX F – DTC and the Book-Entry System."

Redemption. The Bonds are subject to redemption prior to maturity as described in "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel ("**Bond Counsel**"), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District ("**Disclosure Counsel**"). Norton Rose Fulbright US LLP, Los Angeles, California is serving as Underwriters' Counsel. Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent upon the issuance of the Bonds.

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS."

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Bonds and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CONTINUING DISCLOSURE."

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District at the Superintendent's Office at 1651 16th Street, Santa Monica, California 90404, Telephone: (310) 450-8338. The District may impose a charge for copying, mailing and handling.

THE FINANCING PLAN

The proceeds of the Bonds will be used to finance projects approved by the voters pursuant to the Authorization, including related costs of issuing the Bonds. The abbreviated form of the ballot measure (limited to 75 words or less) is as follows:

> *"To improve academic instruction and school safety by modernizing high school classrooms and campuses, repairing aging elementary schools, ensuring every school meets current earthquake and fire safety standards to protect students, and constructing, acquiring, modernizing, and/or repairing classrooms, sites, facilities, equipment, computers, and learning technology to raise student achievement, shall the Santa Monica-Malibu Unified School District issue $385,000,000 in bonds at legal rates, with independent fiscal oversight, mandatory audits, and all funds for Santa Monica and Malibu schools?"*

As part of the ballot materials presented to District voters at the Bond Election, the voters authorized a specific list of projects (the **"Project List"**) eligible to be funded with proceeds of bonds sold pursuant to the Authorization, including the Bonds. The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the Authorization will provide sufficient funds to complete any particular project listed in the Project List.

See "DEBT SERVICE SCHEDULES" herein for the combined debt service due with respect to general obligation bonds and refunding general obligation bonds of the District, including the Bonds.

[Remainder of page intentionally left blank.]

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of the Bond Law and the Bond Resolution. The District received authorization at the Bond Election by more than the requisite 55% vote of the qualified electors to issue general obligation bonds in a principal amount of $385,000,000. The District has previously issued four series of bonds pursuant to the Authorization. The Bonds are the fifth and final series of bonds issued by the District pursuant to the Authorization.

General Description of the Bonds

The Bonds will mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "– Book-Entry Only System" and "APPENDIX F – DTC and the Book-Entry System."

The Bonds will be issued in denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2020 (each, an "**Interest Payment Date**"). Each Series E Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding the Interest Payment Date (each, a "**Record Date**"), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2020, being the first Record Date, in which event it will bear interest from the date the Bonds are delivered. Notwithstanding the foregoing, if interest on any Series E Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to participants in DTC's book entry system ("**DTC Participants**") who will remit such payments to the beneficial owners of the Bonds.

Paying Agent

U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer and Tax Collector of Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "**Paying Agent**"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send all payments with respect to principal and interest on the Bonds, and any notice of redemption or other notices to owners of the Bonds, only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any ultimate purchaser of the Bonds (each a "**Beneficial Owner**"), of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action covered by such notice.

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

Optional Redemption*

The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a redemption price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption*

The Bonds maturing on August 1, 20__ (the "**Term Bonds**") are subject to mandatory sinking fund redemption on August 1 in the years and in the amounts as set forth in the following table at a redemption price equal to the principal amount thereof to be redeemed, without premium, together with interest accrued thereon to the redemption date. If any Term Bonds are optionally redeemed as described above, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 (or such other basis as the District may determine).

Term Bonds Maturing August 1, 20___

Redemption Date (August 1)	Sinking Fund Redemption

Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfers of the Bonds under the Bond Resolution. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Bond Owners.

**Preliminary; subject to change.*

Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the office of the Paying Agent for the payment of the Bonds and the administration of its duties under the Bond Resolution as designated therein ("**Office of the Paying Agent**") for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption

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

Right to Rescind Notice of Redemption

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

Book-Entry Only System

The Bonds will be registered initially in the name of "Cede & Co." as nominee of DTC, which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Bonds. Principal of the Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

In the event that the securities depository (either DTC or its successor depository) determines not to continue to act as securities depository for the Bonds, or the District determines to terminate the depository as such, then the District will thereupon discontinue the book-entry system with such securities depository. In such event, the securities depository will cooperate with the District and the Paying Agent in the issuance of replacement Bonds by providing the Paying Agent with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the nominee of the securities depository, to the Paying Agent on or before the date such replacement Bonds are to be issued.

Registration, Transfer and Exchange of Bonds

Registration. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Bond Resolution.

Transfers of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the registration books required to be kept pursuant to the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds is surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers of Bonds will be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond which has been selected for redemption.

Exchange of Bonds. Bonds may be exchanged at the principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. The District may charge a reasonable sum for each new Bond issued upon any exchange (except in the cases of any exchange of temporary Bonds for definitive Bonds). No exchange of Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after it has been selected for redemption.

Defeasance

Any or all of the Bonds may be paid by the District in any of the following ways, provided the District also pays or causes to be paid any other sums payable under the Bond Resolution by the District:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

If the District pays all the Bonds that are outstanding and also pays or causes to be paid all other sums payable under the Bond Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Bond Resolution), and notwithstanding that any Bonds have not been surrendered for payment, the Bond Resolution and other assets made under the Bond Resolution and all covenants, agreements and other obligations of the District under the Bond Resolution will cease, terminate, become void and be completely discharged and satisfied, except only as provided and described in the following paragraph.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Bond that is outstanding (whether upon or prior to its maturity date or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given or proven satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease and be completely discharged, except only that thereafter the Owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

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

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

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

The Bond Resolution defines the term "**Federal Securities**" to mean United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

SOURCES AND USES OF FUNDS

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Series E Bonds
Sources and Uses of Funds

Sources of Funds
Principal Amount of Bonds
Plus: Net Original Issue Premium
Total Sources

Uses of Funds
Deposit to Building Fund
Deposit to Debt Service Fund
Costs of Issuance(1)
Total Uses

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

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The net proceeds from the sale of the Bonds will be paid to the County Treasurer to the credit of the fund created and established in the Bond Resolution and known as the "Santa Monica-Malibu Unified School District, Election of 2012, Series E Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The County will maintain separate accounting for the proceeds of the Bonds, including all earnings received form the investment thereof. Amounts credited to the Building Fund will be expended by the District solely for the financing of projects for which the Bonds proceeds are authorized to be expended under the Authorization (which includes costs of issuing the Bonds). All interest and other gain arising from the investment of proceeds of the Bonds shall be retained in the Building Fund and used for the purposes thereof. At the written request of the District filed with the County Treasurer, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof will be withdrawn from the Building Fund and transferred to the Debt Service Fund established for the Bonds, to be applied to pay the principal of and interest on the Bonds. If excess amounts remain on deposit in the Building Fund after payment in full of the Bonds, any such excess amounts shall be transferred to the general fund of the District, to be applied for the purposes for which the Bonds have been authorized.

Debt Service Fund

As described herein under the heading "SECURITY FOR THE BONDS – Debt Service Fund," the County will establish, hold and maintain a debt service fund for the Bonds to be designated the "Santa Monica-Malibu Unified School District Election of 2012, Series E General Obligation Bonds Debt Service Fund" (the "**Debt Service Fund**"), which the County will maintain as a separate account distinct from all other funds of the County and the District. The County

Treasurer will administer the Debt Service Fund and make disbursements therefrom in the manner set forth in the Bond Resolution. Accrued interest and premium, if any, received by the County from the sale of the Bonds will be deposited in the Debt Service Fund which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used to pay the principal of and interest on the Bonds when due.

Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid, or provision for such payment has been made, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District and, in the event there is no such debt outstanding, will be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Fund, as well as proceeds of taxes held therein for payment of the Bonds, shall be invested in the County Investment Pool, the Local Agency Investment Fund of the California State Treasurer, any investments authorized pursuant to Sections 53601 and 53635 of the California Government Code, and investment agreements, including guaranteed investment contracts, float contracts or other investment products (provided that such agreements comply with the requirements of Section 148 of the Tax Code) in accordance with the investment policy of the County.

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DEBT SERVICE SCHEDULES

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Annual Debt Service Schedule
Series E Bonds

Period Ending August 1	Principal	Interest	Total Debt Service
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
Total			

Combined GO Bonds Debt Service Table. The District currently has outstanding series of general obligation or refunding general obligation bonds, including with respect to two school facilities improvement districts (**"SFID 1"** and **"SFID 2")** secured by *ad valorem* taxes outstanding. The following table shows the combined annual debt service schedule with respect to such obligations, together with the Bonds, assuming no optional redemptions. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – General Obligation Debt" for additional information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Combined Annual Debt Service Schedule
All Outstanding General Obligation Debt

Period Ending Aug. 1	Election of 1998 Bonds	Election of 2006 Bonds(1)(2)(3)	Election of 2012 Bonds(2)	Refunding Bonds(2)(4)	SFID No. 1 Bonds(5)	SFID No. 2 Bonds(5)	2019 Refunding Bonds(6)	The Bonds	Aggregate Debt Service
2020	$7,215,000.00	$5,529,102.40	$14,806,043.76	$10,396,618.76	$17,659,647.78	$6,071,076.25	$4,238,150.53		
2021	7,280,000.00	4,497,102.40	8,139,843.76	12,032,118.76	18,947,200.00	6,932,150.00	3,869,371.00		
2022	7,300,000.00	4,663,702.40	8,266,643.76	12,457,568.76	3,690,000.00	1,137,950.00	3,869,076.00		
2023	6,340,000.00	4,837,502.40	8,399,843.76	12,873,668.76	2,998,200.00	906,150.00	3,868,539.50		
2024	--	7,242,327.40	8,540,343.76	13,240,318.76	3,102,600.00	938,150.00	3,872,183.30		
2025	--	7,536,793.00	8,685,543.76	13,560,668.76	3,212,400.00	973,750.00	3,869,993.30		
2026	--	6,068,211.40	9,465,343.76	13,938,818.76	3,327,300.00	1,005,750.00	5,760,464.70		
2027	--	6,258,702.80	9,705,243.76	14,440,868.76	3,442,100.00	1,038,350.00	5,956,262.70		
2028	--	6,445,388.40	10,637,093.76	14,962,218.76	3,561,300.00	1,074,350.00	6,167,701.90		
2029	--	6,641,981.40	10,967,993.76	15,496,762.50	3,684,500.00	1,113,550.00	6,386,374.30		
2030	--	7,336,229.90	11,297,593.76	16,058,475.00	3,816,700.00	1,152,350.00	6,139,784.00		
2031	--	6,820,275.40	11,649,643.76	16,439,612.50	3,951,700.00	1,192,550.00	7,068,288.30		
2032	--	7,022,814.00	12,546,793.76	18,699,000.00	4,089,300.00	1,235,550.00	3,197,761.70		
2033	--	8,696,187.50	12,965,593.76	18,258,725.00	4,230,400.00	1,281,000.00	3,200,651.40		
2034	--	8,445,554.20	13,394,468.76	16,350,775.00	4,380,800.00	1,324,650.00	3,192,014.60		
2035	--	7,629,662.70	13,847,368.76	16,480,650.00	4,530,050.00	1,371,500.00	3,197,079.90		
2036	--	--	14,316,518.76	--	4,693,000.00	1,416,400.00	24,615,495.40		
2037	--	--	14,798,668.76	--	4,854,400.00	1,467,000.00	15,316,922.60		
2038	--	--	14,320,881.26	--	5,022,650.00	1,519,400.00	1,760,846.40		
2039	--	--	8,142,381.26	--	5,198,650.00	1,573,400.00	7,507,629.50		
2040	--	--	8,499,956.26	--	5,382,850.00	1,628,800.00	7,614,890.50		
2041	--	--	4,456,406.26	--	5,569,450.00	1,685,400.00	8,777,653.80		
2042	--	--	4,640,625.00	--	5,767,850.00	1,743,000.00	8,922,755.30		
2043	--	--	--	--	5,967,050.00	1,806,400.00	7,965,556.50		
2044	--	--	--	--	6,176,450.00	1,865,200.00	--		
2045	--	--	--	--	6,395,050.00	1,934,400.00	--		
2046	--	--	--	--	6,616,400.00	1,999,900.00	--		
2047	--	--	--	--	6,846,200.00	2,071,950.00	--		
2048	--	--	--	--	7,088,850.00	2,145,250.00	--		
2049	--	--	--	--	7,333,600.00	2,219,650.00	--		
TOTAL	$28,135,000.00	$105,671,537.70	$242,490,837.72	$235,686,868.84	$171,536,647.78	$53,824,976.25	$156,335,447.13		

[Footnotes appear on the following page]

[Footnotes for table on the prior page]

(1) Represents the gross debt service payments and does not include any expected federal subsidy payments.
(2) Principal due on July 1 of each year for outstanding Election of 2006, Series C-1 Bonds, Election of 2018, Series A and Series B Bonds, 2015 Refunding and 2016 Refunding Bonds.
(3) Prior to July 1, 2020, the Election of 2006, Series C-1 Bonds will continue to be an obligation of the District payable solely from ad valorem property taxes. On such date, the Election of 2006, Series C-1 Bonds are expected to be redeemed.
(4) Prior to July 1, 2020, the 2016 Refunding Bonds, Series C will be secured by and payable solely from the proceeds thereof on deposit into an escrow fund established therefor. From and after July 1, 2020, the 2016 Refunding Bonds, Series C will be payable solely from *ad valorem* taxes.
(5) The Bonds are secured by property taxes levied and collected solely within the boundaries of the applicable Improvement District.
(6) 2019 Refunding General Obligation Bonds (Federally Taxable) scheduled to be delivered simultaneously with the Bonds described herein. Combined debt service table assumes successful issuance and defeasance of refinanced bonds.

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SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Debt Payable from Ad Valorem Property Taxes. In addition to the District's general obligation bonds, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Typical Tax Rates" and "– Direct and Overlapping Debt."

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

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

Statutory Lien on Ad Valorem Tax Revenues*.* Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

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

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish the Debt Service Fund for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon apportionment of said levy. The Debt Service Fund is pledged for the payment of the principal of and interest on the Bonds when and as the same become due, including the principal of any Bonds required to be paid upon the mandatory sinking fund redemption thereof. The County Treasurer shall administer the Debt Service Fund and make disbursements therefrom in accordance with the Bond Resolution. Amounts in the Debt Service Fund will be transferred by the County Treasurer to the Paying Agent to the extent necessary to pay the principal of and interest and redemption premium (if any) on the Bonds when due. In addition, amounts on deposit in the Debt Service Fund will be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code.

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

Not a County Obligation

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

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PROPERTY TAXATION

Property Tax Collection Procedures

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

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

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

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties of the State based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

Assessed Valuation History. The table following shows a recent history of the assessed valuation of taxable property in the District.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2007-08 through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2007-08	$30,979,608,027	$748,365	$945,897,733	$31,926,254,125	--
2008-09	34,149,910,669	743,365	1,068,927,968	35,219,582,002	10.30%
2009-10	35,503,955,528	743,365	1,013,023,685	36,517,722,578	3.69
2010-11	35,472,276,201	742,365	924,337,416	36,397,355,982	(0.33)
2011-12	36,630,191,253	742,365	945,862,922	37,576,796,540	3.24
2012-13	38,076,707,329	742,365	1,024,110,696	39,101,560,390	4.06
2013-14	40,617,029,286	742,365	1,019,369,137	41,637,140,788	6.48
2014-15	42,675,355,728	742,365	1,015,391,498	43,691,489,591	4.93
2015-16	45,872,429,243	--	1,004,302,267	46,876,731,510	7.29
2016-17	48,908,126,347	--	1,002,069,877	49,910,196,224	6.47
2017-18	51,184,249,150	--	1,038,846,486	52,223,095,636	4.63
2018-19	55,406,782,360	--	1,111,460,426	56,518,242,786	8.22
2019-20	58,266,094,814	--	1,122,161,830	59,388,256,644	5.07

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. General. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of natural and manmade factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, wildfires, flooding and related mudslides and earthquakes.

The District cannot predict or make any representations regarding the effects that recent wildfires (see following paragraph) or future wildfires, flooding, mudslides or any other natural or manmade disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

2018 Woolsey Fire. On November 8, 2018, a wildfire occurred (the **"Woolsey Fire"**) in portions of the County, Ventura County and including within the boundaries of the Malibu area of the District that spread to over 96,000 acres. The Woolsey Fire started in the mountains above the Simi Valley, near the Los Angeles and Ventura County borders, and was aggravated by Santa Ana winds, requiring the temporary evacuation of a substantial portion of the residents, including of the Malibu area, until it was subdued. District schools sustained minor damage, mostly smoke and soot infiltration, and all schools reopened four weeks after the fire. Enrollment has decreased by approximately 300 students for the Malibu area schools since the fire. According to the Los Angeles County Fire Department, the fire destroyed approximately 1,643 structures, and another 364 sustained damage. Within Malibu city limits, approximately 670 structures were destroyed, including approximately 400 single family homes. The County Assessor has a Misfortune and Calamity (**"M&C"**) claim process in accordance with Proposition 8 which provides for reductions in assessed valuations due to damage or destruction, and includes a tax deferral request element for taxes due in the year a calamity occurs. In addition, the Assessor also undertook proactive steps to reassess certain properties. According to the Los Angeles County Assessor's office, a total of approximately 1,200 M&C claims were filed with respect to County properties due to the Woolsey Fire, of which 248 were due to proactive Assessor reviews. Under Proposition 8, properties reassessed due to fire damage or destruction will be adjusted back to their original values, adjusted for inflation, when new construction and repairs are completed. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. The City of Malibu maintains information on its web site regarding building permit issuance within the City, including permits issued without regard to Woolsey fire properties, and specifically with regard to Woolsey damaged properties. For rebuild status in the City of Malibu, see: https://malibupermits.ci.malibu.ca.us/WoolseyRebuildStats.aspx?returnId=901 (the information contained in such website is not incorporated herein by reference). See also below discussion under "-Reassessments and Appeals of Assessed Values" regarding the reassessment process under Proposition 8. Notwithstanding the damage sustained in the Malibu area due to the Woolsey fire and the related reassessments, the fiscal year 2019-20 assessed valuation in the Malibu Improvement District provided by the County is $19.8 billion, which is an increase in assessed value of 4.3% from the prior year.

Assessed Valuation by Jurisdiction. The following table shows the assessed valuation of local secured property within the District by jurisdiction for fiscal year 2019-20.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Assessed Valuations by Jurisdiction
Fiscal Year 2019-20

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Malibu	$17,719,544,011	29.84%	$17,719,544,011	100.00%
City of Santa Monica	39,520,310,495	66.55	$39,521,345,611	100.00%
City of Westlake Village	336,427	0.00	$3,714,323,430	0.01%
Unincorporated Los Angeles County	2,148,065,711	3.62	$111,408,534,823	1.93%
Total District	$59,388,256,644	100.00%		
Los Angeles County	$59,388,256,644	100.00%	$1,612,990,196,814	3.68%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2019-20.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20

Non-Residential:	**2019-20 Assessed Valuation (1)**	**% of Total**	**No. of Parcels**	**% of Total**
Commercial	$12,950,810,919	22.23%	2,169	6.23%
Vacant Commercial	371,252,610	0.64	333	0.96
Industrial	881,308,247	1.51	260	0.75
Vacant Industrial	66,835,212	0.11	37	0.11
Recreational	215,896,304	0.37	51	0.15
Government/Social/Institutional	137,252,675	0.24	604	1.74
Miscellaneous	61,497,480	0.11	67	0.19
Subtotal Non-Residential	$14,684,853,447	25.20%	3,521	10.11%
Residential:				
Single Family Residence	$26,621,376,146	45.69%	12,999	37.34%
Condominium/Townhouse	7,635,769,607	13.10	10,293	29.57
Mobile Home Park	77,431,310	0.13	7	0.02
2-4 Residential Units	1,964,975,020	3.37	1866	5.36
5+ Residential Units/Apartments	5,192,831,184	8.91	2,388	6.86
Vacant Residential	2,088,858,100	3.59	3,737	10.74
Subtotal Residential	$43,581,241,367	74.80%	31,290	89.89%
Total	$58,266,094,814	100.00%	34,811	100.00%

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

Assessed Valuation of Single-Family Homes. The following table shows a breakdown of assessed valuation of single-family homes on a per parcel basis for fiscal year 2019-20

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2019-20

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	12,999	$26,621,376,146	$2,047,956	$1,181,942

2019-20 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $199,999	1,303	10.024%	10.024%	$ 160,740,330	0.604%	0.604%
$200,000 - $399,999	1,319	10.147	20.171	385,962,607	1.450	2.054
$400,000 - $599,999	1,119	8.608	28.779	559,521,707	2.102	4.155
$600,000 - $799,999	1,021	7.854	36.634	713,256,337	2.679	6.835
$800,000 - $999,999	955	7.347	43.980	856,262,132	3.216	10.051
$1,000,000 - $1,199,999	847	6.516	50.496	929,290,837	3.491	13.542
$1,200,000 - $1,399,999	678	5.216	55.712	880,826,037	3.309	16.851
$1,400,000 - $1,599,999	638	4.908	60.620	955,354,008	3.589	20.439
$1,600,000 - $1,799,999	584	4.493	65.113	991,505,034	3.724	24.164
$1,800,000 - $1,999,999	496	3.816	68.928	939,138,820	3.528	27.691
$2,000,000 - $2,199,999	447	3.439	72.367	937,230,521	3.521	31.212
$2,200,000 - $2,399,999	352	2.708	75.075	808,685,925	3.038	34.250
$2,400,000 - $2,599,999	325	2.500	77.575	812,125,149	3.051	37.300
$2,600,000 - $2,799,999	273	2.100	79.675	736,795,796	2.768	40.068
$2,800,000 - $2,999,999	237	1.823	81.499	686,592,799	2.579	42.647
$3,000,000 - $3,199,999	253	1.946	83.445	785,111,186	2.949	45.596
$3,200,000 - $3,399,999	186	1.431	84.876	612,527,961	2.301	47.897
$3,400,000 - $3,599,999	159	1.223	86.099	557,307,404	2.093	49.991
$3,600,000 - $3,799,999	139	1.069	87.168	514,429,461	1.932	51.923
$3,800,000 - $3,999,999	157	1.208	88.376	611,024,044	2.295	54.218
$4,000,000 and greater	1,511	11.624	100.000	12,187,688,051	45.782	100.000
Total	12,999	100.000%		$26,621,376,146	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

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

Typical Tax Rates

Below are historical typical tax rates in a typical tax rate area within the District.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
(TRA 8604 - 2018-19 Assessed Valuation: $20,055,246,295[(1)])
Fiscal Years 2014-15 through 2018-19

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
General	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
City of Santa Monica	.004916	.004699	.003904	.003764	.003213
Santa Monica-Malibu Unified School District	.076358	.070658	.070057	.073972	.061712
Santa Monica Community College District	.058729	.060095	.058862	.068451	.062696
Metropolitan Water District	.003500	.003500	.003500	.003500	.003500
Total	$1.143503	$1.138952	$1.136323	$1.149687	$1.131121

(1) 35.48% of total District valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The following table shows tax charges, collections and delinquencies for secured property in the District. Because the County does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the "**Teeter Plan**"), secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected.

The tables below show the secured tax charge and delinquency rate for the identified fiscal years, the first for the levy with respect to the one percent general fund apportionment, and the second for the levy for District bonded indebtedness.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquency Rates
Fiscal Years 2009-10 through 2018-19

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent (June 30)	% Delinquent (June 30)
2009-10	$56,492,732.76	$1,941,350.65	3.44%
2010-11	56,532,420.57	1,358,709.47	2.40
2011-12	58,632,450.21	1,225,543.09	2.09
2012-13	61,371,375.89	1,105,346.31	1.80
2013-14	65,587,651.35	969,493.51	1.48
2014-15	69,111,984.70	998,384.20	1.44
2015-16	74,445,843.62	1,059,420.03	1.42
2016-17	79,171,920.72	943,633.44	1.19
2017-18	83,392,465.01	1,039,499.44	1.25
2018-19	90,230,276.73	1,236,942.53	1.37

Fiscal Year	Secured Tax Charge(2)	Amount Delinquent (June 30)	% Delinquent (June 30)
2009-10	$16,761,542.98	$545,044.46	3.25%
2010-11	17,098,362.60	388,896.66	2.27
2011-12	16,657,374.42	335,717.65	2.02
2012-13	21,616,397.51	504,824.58	2.34
2013-14	30,179,601.06	431,276.76	1.43
2014-15	32,807,894.14	487,748.15	1.49
2015-16	33,733,114.59	1,693,561.77	5.02
2016-17	33,866,420.79	496,949.68	1.47
2017-18	38,423,629.51	438,892.63	1.14
2018-19	34,362,660.89	547,716.19	1.59

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.
(2) Debt service levy only.
Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by local secured assessed valuation in fiscal year 2019-20. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Largest Fiscal Year 2019-20 Local Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total (1)
1.	CA Colorado Center LLC	Office Building	$ 543,063,514	0.93%
2.	Water Garden Realty Holding LLC	Office Building	526,743,888	0.90
3.	Lantana Media Campus LLC	Office Building	419,281,200	0.72
4.	Office Block Investment LLC	Office Building	382,451,040	0.66
5.	SC Enterprises SMBP LLC	Commercial	365,118,595	0.63
6.	Douglas Emmett LLC	Office Building	352,246,681	0.60
7.	DE Pacific 1299 LLC	Office Building	296,514,000	0.51
8.	Macerich SMP LP	Shopping Center	245,532,812	0.42
9.	MDP SPE 1 LP	Commercial	232,854,387	0.40
10.	New Santa Monica Beach Hotel LLC	Hotel	227,001,271	0.39
11.	Hart Arboretum LLC	Apartments	185,180,358	0.32
12.	Santa Monica Hotel Owner LLC	Hotel	166,050,480	0.28
13.	Arboretum Courtyard LLC	Office Building	154,530,000	0.27
14.	DE Pacific 233 LLC	Office Building	145,135,800	0.25
15.	Kite Pharma Inc.	Industrial	141,474,000	0.24
16.	SMBP LLC	Office Building	141,291,044	0.24
17.	Carbonview Limited LLC	Residential	137,234,225	0.24
18.	Palmetto Hospitality of Santa Monica	Hotel	134,919,582	0.23
19.	Jamestown Premier Malibu Village LP	Shopping Center	131,870,120	0.23
20.	Millennium Santa Monica LLC	Apartments	126,287,506	0.22
			$5,054,780,503	8.68%

(1) Fiscal year 2019-20 local secured assessed valuation: $58,266,094,814.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of October 1, 2019

2019-20 Assessed Valuation: $59,388,256,644

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 10/1/19**
Metropolitan Water District	1.920%	$ 922,772
Los Angeles Community College District	0.011	421,839
Santa Monica Community College District	100.000	596,884,412
Santa Monica-Malibu Unified School District	**100.000**	**438,915,232** (1)
Santa Monica-Malibu Unified School District SFID No. 1	**100.000**	**-** (1)
Santa Monica-Malibu Unified School District SFID No. 2	**100.000**	**-** (1)
City of Santa Monica	99.997	3,229,903
City of Malibu Community Facilities District No. 2006-1	100.000	3,070,000
City of Malibu Broad Beach Assessment District and Assessment District No. 2015-1	100.000	7,785,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,051,229,158
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	3.682%	$ 87,354,864
Los Angeles County Superintendent of Schools Certificates of Participation	3.682	190,817
Santa Monica Community College District Certificates of Participation	100.000	14,108,503
Santa Monica-Malibu Unified School District Certificates of Participation	**100.000**	**5,452,318**
City of Malibu Certificates of Participation	100.000	67,685,000
City of Santa Monica General Fund Obligations	99.997	150,985,470
City of Westlake Village Certificates of Participation	0.009	1,394
Los Angeles County Sanitation District No. 27 Authority	100.000	105,621
DIRECT AND OVERLAPPING GENERAL FUND DEBT		$325,883,987
OVERLAPPING TAX INCREMENT DEBT:		
Santa Monica Redevelopment Agency (Successor Agency)	100.000 %	$76,045,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		$76,045,000
COMBINED TOTAL DEBT		$1,453,158,145 (2)

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($438,915,232) **0.74%**
Total Direct and Overlapping Tax and Assessment Debt............. 1.77%
Combined Direct Debt ($444,367,550) **0.75%**
Combined Total Debt.. 2.45%

Ratios to Redevelopment Incremental Valuation ($14,378,878,100):
Total Overlapping Tax Increment Debt 0.53%

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(1) Excludes the Bonds described herein, 2019 Refunding General Obligation Bonds (Federally taxable) which have been sold and are scheduled to be issued on November 6, 2019 (but the table includes the bonds to be refinanced thereby), $110,000,000 principal amount of general obligation bonds of SFID No. 1 and $35,000,000 principal amount of general obligation bonds of SFID No. 2 which were both issued on October 2, 2019.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "**original issue discount**" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "**original issue premium**" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bonds on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status*.* In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Form of Opinion*.* A copy of the proposed form of the opinion of Bond Counsel is attached hereto as Appendix D.

Other Tax Considerations

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above, including any opinion regarding federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

In addition, future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

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CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently is June 30), commencing March 31, 2019 with the report for the 2017-18 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events pursuant to the Continuing Disclosure Certificate in the form attached to this Official Statement in "APPENDIX E – Form of Continuing Disclosure Certificate." The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**"). The specific nature of the information to be contained in each Annual Report or other notices is summarized in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "**Rule**").

The District has made prior undertakings pursuant to the Rule. A review of the District's prior undertakings and filings in the previous five years has been undertaken and instances of noncompliance which have been identified are not filing the annual report and audited financial statements for the 2016-17 fiscal year in a timely manner and the late filing of a rating upgrade with respect to outstanding certificates of participation that occurred in August 2018. Such filings have subsequently been made.

The District has appointed Isom Advisors, a Division of Urban Futures, Inc. to serve as dissemination agent for the Bonds and its other undertakings.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") and Moody's Investors Services ("**Moody's**") have assigned ratings of "AA+" and "Aaa," respectively, to the Bonds. Such ratings reflect only the views of S&P and Moody's, and an explanation of the significance of such ratings may be obtained only from S&P and Moody's. The District has provided certain additional information and materials to S&P and Moody's (some of which does not appear in this Official Statement). There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P and Moody's, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc. ("**Raymond James**"), on behalf of itself and RBC Capital Markets, LLC ("**RBC**" and together with Raymond James, the "**Underwriters**"), has agreed to purchase the Bonds pursuant to a bond purchase agreement for the Bonds (the "**Bond Purchase Agreement**"). The Underwriters have agreed to purchase the Bonds at a price of $___________, representing the principal amount of the Bonds, plus original issue premium of $________ and less an Underwriters' discount of $___________.

The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds (if any are purchased), and it provides that the Underwriters' obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriters.

RBC and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

RBC CM made a voluntary contribution to the committee that was formed to support the election that authorized the issuance of the Bonds.

In addition, a member of the District's financing team from Raymond James currently holds a board of director position with the Santa Monica Education Foundation (the **"Foundation"**). The individual and Raymond James have contributed, and may continue to contribute, funds to the Foundation for use of all lawful purposes of such Foundation.

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MISCELLANEOUS

Legality for Investment

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

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District or the proceedings and formation of the Improvement District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues within the Improvement District or (iii) contests the District's ability to issue and sell the Bonds.

The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which it reasonably expects could have a material adverse effect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, the fees and expenses of Norton Rose Fulbright US LLP, Los Angeles, California, as counsel to the Underwriters, and the fees and expenses of Isom Advisors, a Division of Urban Futures, Inc., as Municipal Advisor to the District, is contingent upon issuance of the Bonds.

Additional Information

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents are available from the Underwriters and following delivery of the Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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

EXECUTION

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

By: ____________________________________
Superintendent

APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

The information in this section concerning the operations of the District, its operating budget and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the main body of the Official Statement.

DISTRICT GENERAL INFORMATION

General Information

The District was established in 1875 and includes within its boundaries the Cities of Santa Monica and Malibu, as well as portions of unincorporated Los Angeles County. The District is composed of two distinct geographical areas, the Malibu schools area to the north and the Santa Monica schools area to the south, which are divided by a portion of Los Angeles Unified School District. The District currently operates ten elementary schools, two middle schools, one K-8 school, one 6-12 school, one high school, one continuation high school, a regional occupation program, an adult education program, as well as fifteen child care and development centers. For fiscal year 2019-20, the District's enrollment is budgeted for 10,298 students, and the District-wide total taxable property value is $59,388,256,644.

The District's revenue sources include a number of local sources which result in a significant amount of revenue for the District, including a voter-approved parcel tax, a share of the City of Santa Monica's voter-approved transaction use taxes to be used for educational purposes, and revenues produced by facilities use agreements with the City of Malibu and the City of Santa Monica. See "DISTRICT FINANCIAL INFORMATION - Other Local Revenues-Parcel Taxes and Sales Taxes." Regarding the District's organization, see also "-Possible Reorganization of the District" below.

Basic Aid Status/Community Supported District

Commencing in fiscal year 2017-18, the District's local property taxes have exceeded the State's calculated revenue limit for the District, resulting in the District being treated as a "**Basic Aid**" district for purposes of general purpose education funding by the State commencing in fiscal year 2017-18. As a Basic Aid District, the District does not receive a general purpose revenue limit entitlement from the State, but instead is entitled to keep its share of local property taxes in excess of the revenue limit available under the State's education funding formula known as the Local Control Funding Formula (the "**LCFF**"). A Basic Aid district is also referred to as a **"Community Supported District."** The District estimates that its benefit from Basic Aid status in fiscal year 2019-20 will be $5.1 million in revenues above what it would have received as a non-Basic Aid district in fiscal year 2019-20. The District expects to continue to have local property tax revenue in excess of its LCFF funding entitlement for the near future, particularly in light of recent increases in assessed values. For more information on the District's Basic Aid status, see "-Basic Aid/Community Supported District" below.

Administration

Board of Education. The District is governed by a seven-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between three and four available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Dr. Richard Tahvildaran-Jesswein	President	December 2022
Jon Kean	Vice President	December 2020
Oscar de la Torre	Member	December 2022
Craig Foster	Member	December 2022
Maria Leon-Vazquez	Member	December 2020
Laurie Lieberman	Member	December 2022
Ralph Mechur	Member	December 2020

Superintendent and Administrative Personnel. The Superintendent of the District is appointed by the Board and is responsible for management of the day-to-day operations and supervises the work of other District administrators. Dr. Ben Drati serves as the Superintendent and Melody Canady serves as the Assistant Superintendent, Business and Fiscal Services of the District. Brief resumes of both individuals follow:

Dr. Ben Drati, Superintendent. Dr. Drati began his tenure as Superintendent of the District in January 2017. Previously, he served as Assistant Superintendent of Secondary Education for the Santa Barbara Unified School District for five years. Prior professional experience includes serving as a school principal, deputy principal and learning director for the Clovis Unified School District, and as an assistant principal for the Riverdale Joint Unified School District. Dr. Drati began his teaching career in 1997 as a chemistry teacher and football coach for Central High School, in the Central Unified School District. Dr. Drati earned his Bachelor of Science degree in biochemistry from Fresno State University, single-subject teaching and administrative credentials and a Master of Arts degree from National University, and a Doctor of Education degree in educational leadership from Fresno State University.

Melody Canady, Assistant Superintendent, Business and Fiscal Services. Ms. Melody Canady was appointed as the Assistant Superintendent, Business and Fiscal Services of the District, effective November 15, 2017. Bringing over twenty years in business services, human resources and labor relations experience to the District, Ms. Canady served as the chief business officer in the Pajaro Unified School District in Watsonville California from 2015-17, as the business/chief business officer for the Greenfield Union School District from 2007-15, and also has worked for the Orinda Union School District, Fresno Unified School District and Clovis Unified School District, starting her career for public school districts in 1998. Ms. Canady earned her Master of Arts in Education, with a major in Supervision and Administration, and a Bachelor of Science in Business Administration, Human Resources Management, both from California State University Fresno. In addition, she attended California Association of School Business Officials CBO mentor program and received her CBO Certificate in 2008.

Recent Enrollment Trends

The following table shows recent enrollment and average daily attendance history (**"ADA"**) for the District.

ANNUAL ENROLLMENT and AVERAGE DAILY ATTENDANCE
Fiscal Years 2012-13 through 2019-20 (Projected)
Santa Monica-Malibu Unified School District

School Year	Enrollment	Percent Change	ADA	Percent Change
2012-13	11,417	--	10,878	--
2013-14	11,341	(0.67%)	10,817	(0.56%)
2014-15	11,289	(0.46)	10,785	(0.30)
2015-16	11,249	(0.35)	10,705	(0.74)
2016-17	11,005	(2.17)	10,476	(2.14)
2017-18	10,806	(1.8)	10,294	(1.6)
2018-19*	10,626	(1.7)	10,116	(1.7)
2019-20*	10,298	(3.0)	9,995	(1.2)

*Estimated and Budgeted; annual figures as presented in fiscal year 2019-20 Budget.
Source: Santa Monica-Malibu Unified School District.

Employee Relations

In fiscal year 2019-20, the District has budgeted for 650 certificated, 692 classified and 103 management full-time equivalent positions. The certificated and classified employees (non-management) of the District are represented by two bargaining units, as set forth in the following table.

BARGAINING UNITS
Santa Monica-Malibu Unified School District

Employee Group	Representation	Contract Expiration Date*
Santa Monica-Malibu Classroom Teachers Association	Certificated	June 30, 2018
Service Employees International Union	Classified	June 30, 2018

**Parties perform pursuant to expired terms pending settlement.*
Source: Santa Monica-Malibu Unified School District.

Insurance – Joint Powers Agreements

The District is a member of three joint powers authorities ("**JPAs**"). The first is the Alliance of Schools for Cooperative Insurance Programs to provide property and liability insurance coverage, the next is the Schools Excess Liability Fund to provide excess property and liability insurance coverage, and the final is the Schools Linked for Insurance Management to provide workers' compensation insurance coverage. The relationship is such that the JPAs are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units, and audited financial statements are available from the respective entities.

Disclosure Regarding Possible Reorganization of the District

Certain residents of the District have undertaken efforts to initiate a reorganization of the District which would result in the creation of a new unified school district covering the portion of the District located in the City of Malibu, including petitioning the District to explore the feasibility of such a reorganization.

At its November 19, 2015 meeting, the District Board received a report from the District's Financial Oversight Committee (the **"FOC"**) regarding the potential financial impact of a reorganization of the District and the creation of a Malibu-only unified school district. The FOC concluded, among other things, that a Santa Monica-only unified school district would have significantly lower per-student funding levels as compared to the District.

At its December 17, 2015 meeting, the District Board approved the creation of a committee (the **"Malibu Unification Committee"**) and charged it with the responsibility of negotiating the terms under which the Board would consider initiating the process of reorganization. The Malibu Unification Committee is composed of six members, three of which represent the District and were appointed by the District Superintendent. The other three members represent the City of Malibu and were appointed by the Malibu City Manager. The District Board prioritized a number of objectives for the Malibu Unification Committee to consider as part of the negotiations, including eliminating any significant adverse financial effects that could be caused by a reorganization of the District. When the Malibu Unification Committee determined that the negotiations had been successfully completed, it was required to develop and submit a report to the District Board documenting the committee's conclusions.

The Malibu Unification Committee submitted to the District a memorandum report, dated February 24, 2017 (the **"Committee Report"**), which report was also presented to the District Board as a discussion item at a special meeting thereof held on March 7, 2017. The Committee Report summarizes the agreement (the **"Agreement"**) reached by the members of the Malibu Unification Committee, according to the priorities set out by the District Board. The Agreement includes, among other things, a revenue neutrality formula which would establish a schedule of payments to be made from a Malibu-only district to a Santa Monica-only district intended to eliminate any adverse financial effects of reorganizing the District. The Agreement would also establish methods for the division of District assets (including fund balances, buildings, land and school buses), and allocation of the District's general obligation bonded indebtedness and bonding authority among the two resulting school districts. The Committee Report also recommended, among the potential avenues for reorganization contained in the California Education Code, that the District Board consider proceeding with a reorganization entirely or partially through State legislation.

Following two community forums held in the Cities of Santa Monica and Malibu, at which the Committee Report was presented, the District Board discussed the Committee Report again at a meeting thereof held on May 30, 2017. At such meeting, the District Board requested that the Malibu Unification Committee continue its work, but no formal action was taken by the District Board to act on the recommendations of the Malibu Unification Committee.

Subsequently, School Services of California, Inc. provided the District Board with an independent analysis of potential revenue sharing arrangements that could mitigate the financial impacts of a future reorganization of the District, specifically on the Santa Monica area schools. A report dated February 22, 2018 entitled "Review of Revenue Options for District Reorganization" was presented to the District Board at a public meeting held on March 20, 2018. During the meeting, revenue sharing under a 50-year model and a charter pathway for Malibu area schools were examined, among other options. The District Board moved to approve the concept of a 50-year revenue sharing framework. The District Board directed the Superintendent to present this concept to the City of Malibu, and to ask the City of Malibu to withdraw or hold its unification petition pending agreement with or determining further details of the potential revenue sharing arrangement. The petition has not been withdrawn as of this date but is effectively stayed pending any further developments or decisions by the interested parties.

Further District Board actions consistent with possible separation of the two areas include (i) a District Board vote on June 28, 2018 to provide for separate fundraising by organizations in the Malibu schools area and in the Santa Monica schools area, whereas previously fundraising had been done on a combined District-wide basis, (ii) the formation of two separate school facilities improvement districts (**"SFIDs"**), one with boundaries relating to Malibu schools and the other with boundaries relating to Santa Monica schools, and (iii) obtaining separate bond authorizations within the distinct SFIDs.

There are many variables, criteria and conditions that must be met prior to a school district reorganization. These include statutory and regulatory requirements, approval or support of the Los Angeles County Office of Education and the State Department of Education, as well as a majority vote of the District's electors. A reorganization plan would also need to address financial matters, including the financial impacts on the remaining districts, and an allocation of bonded indebtedness. Although the District believes that reorganization may occur in the future, it cannot predict the terms of the reorganization, how long the reorganization proceedings may take, or if such reorganization will ultimately be accomplished. As such, the District makes no representation as to if or when the described proposed reorganization will occur, including whether any such proposal would meet all necessary legal requirements and conditions, and/or receive all necessary approvals, or what the financial consequences might be, if any.

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DISTRICT FINANCIAL INFORMATION

Education Funding Generally

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

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

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

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants are adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

The LCFF was implemented for fiscal year 2013-14 and is being phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. Full implementation occurred in fiscal year 2018-19.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2019-20 are set forth in the following table.

Fiscal Year 2019-20 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2018-19 Base Grant Per ADA	2019-20 COLA (3.26%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2019-20 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,459	$243	$801	$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,043	295	243	9,572

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement and school climate.

County superintendents review and provide support to school districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Basic Aid or Community Supported districts are school districts which have local property tax revenues which exceed such district's funding entitlement under LCFF. As such, in lieu of State funding under LCFF, Basic Aid districts are entitled to keep the full share of local property tax revenues, even the amount which exceeds its funding entitlement under LCFF. The District's funding formula is currently as a Basic Aid district.

District Accounting Practices

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

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Basic Aid/Community Supported District. Commencing in fiscal year 2017-18, the District became a Basic Aid District for purposes of State general purpose education funding. As a Basic Aid District, the District does not receive a general purpose revenue limit entitlement from the State, but instead is entitled to keep its share of local property taxes in excess of the funding entitlement under LCFF. In fiscal year 2019-20, the District expects approximately $5.1 million more in funding entitlement at a Basic Aid District, than it would have received if it were funded as a LCFF-funded school district. Continuing in Basic Aid status is in part a function of student enrollment figures and property value growth in the District. The District expects to continue to have local property tax revenue in excess of its LCFF entitlement for the near future.

Financial Statements

General. The District's Audited Financial Statements for the fiscal year ending June 30, 2018, were prepared by Moss, Levy & Hartzheim LLP, Certified Public Accountants, Culver City, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended

June 30, 2018 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for the Audited Financial Statements for fiscal year 2017-18. The District has not requested, and the Auditor has not provided, any additional review of such financial statements in connection with their inclusion in the Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the General Fund of the District for the fiscal years 2012-13 through 2015-16. Audited financial statement data for fiscal year 2016-17 and 2017-18 is presented in a separate table on the following page due to a change in presentation format.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2012-13 through 2015-16 (Audited)
Santa Monica-Malibu Unified School District

Revenues	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16
Revenue Limit Sources/LCFF(1)	$67,465,046	$69,622,777	$89,411,347	$84,050,735
Federal Revenue	4,649,349	4,336,823	4,100,724	4,743,062
Other State Revenue	13,147,436	7,844,697	6,348,209	13,923,989
Other Local Revenue(2)	42,230,978	43,171,067	43,942,246	44,559,683
Total Revenues	127,492,809	124,975,364	143,802,526	147,277,469
Expenditures				
Instruction	72,809,374	77,229,692	83,308,865	87,814,401
Instruction-Related Activities:				
Instructional Supervisions & Administration	4,345,716	4,353,524	4,979,233	5,626,373
Instructional Library, Media & Technology	1,248,666	1,340,311	1,304,840	1,409,792
School Site Administration	8,721,093	9,165,051	9,053,242	9,162,226
Pupil Services:				
Home-to-School Transportation	1,852,938	1,953,176	2,099,154	1,915,293
Food Services	13,605	23,765	27,254	84,112
All Other Pupil Services	8,561,595	8,928,933	9,990,840	11,482,927
General Administration:				
Centralized Data Processing	850,472	882,031	950,568	1,045,128
All Other General Administration	6,461,957	6,838,018	7,153,746	8,189,390
Plant Services	12,377,946	12,617,154	13,827,776	14,880,423
Facility Acquisition & Maintenance	--	--	--	--
Ancillary Services	793,921	835,991	793,885	734,140
Community Services	1,312,367	1,580,805	1,769,681	1,962,433
Transfers to Other Agencies	710	--	--	--
Debt service:				
Principal	--	24,353	50,900	49,106
Interest and Other	219,770	237	2,488	4,282
Total Expenditures	119,570,130	125,773,041	135,312,472	144,360,026
Excess (Deficiency) of Revenues Over/(Under) Expenditures	7,922,679	(797,677)	8,490,054	2,917,443
Other Financing Sources (Uses)				
Transfers In	--	--	--	--
Other Sources	117,155	--	137,119	--
Transfer outs	(200,000)	(307,452)	(430,119)	(584,491)
Total Other Financing Sources (Uses)	(82,845)	(307,452)	(293,000)	(584,491)
Net Change in Fund Balances	7,839,834	(1,105,129)	8,197,054	2,332,952
Fund Balances, Beginning of Fiscal Year (July 1)	20,542,710	28,382,544	27,277,415	35,474,469
Fund Balances, End of Fiscal Year (June 30)	$28,382,544	$27,277,415	$35,474,469	$37,807,421

(1) LCFF commenced in fiscal year 2013-14.
(2) The District has significant local funding sources. See below under the heading "-Revenue Sources - Other Local Revenues."
Source: District Audited Financial Statements for fiscal years 2012-13 through 2015-16.

Due to a format change in the District's audited financial data, information for fiscal years 2016-17 and 2017-18 are presented in the below table.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2016-17 and 2017-18 (Audited)
Santa Monica-Malibu Unified School District

Revenues	**Audited 2016-17**	**Audited 2017-18**
LCFF Sources(1):		
State Apportionments	$8,585,979	$8,434,187
Education Protection State Aid	2,141,662	2,096,214
Local Sources	80,661,220	91,816,954
Federal	4,748,177	4,378,540
Other State	10,634,237	10,358,283
Other Local (2)	44,868,019	53,037,594
Total Revenues	151,639,294	170,121,772
Expenditures		
Certificated Salaries	66,353,977	65,715,527
Classified Salaries	29,292,786	30,863,996
Employee Benefits	40,192,280	43,075,617
Books and Supplies	5,409,377	3,539,712
Contract Services & Other Operating Exp.	14,914,638	16,431,823
Capital Outlay	891,868	1,759,433
Other Outgo	(434,179)	(495,453)
Debt Service:		
Principal	50,280	51,510
Interest	3,108	1,878
Total Expenditures	156,674,132	160,944,043
Excess of Revenues Over/(Under) Expenditures	(5,034,838)	9,177,729
Other Financing Sources (Uses)		
Transfers In	--	--
Transfers Out	(1,552,000)	(1,600,000)
Total Other Financing Sources (Uses)	(1,552,000)	(1,600,000)
Net Change in Fund Balance	(6,586,838)	7,577,729
Fund Balance, Beginning	37,807,421	31,220,583
Fund Balance, Ending	$31,220,583	$38,798,312(3)

(1) The above data is presented in separate table from prior years due to the use of different formats by the District's auditor.
(2) The District has significant local funding sources. See below under the heading "-Revenue Sources - Other Local Revenues."
(3) In fiscal year 2018-19, the ending balance was required to be restated due to the District's inadvertent receipt of ERAF funds from the County, which were returned during fiscal year 2018-19. See footnote 3 under the following table identifying unaudited actuals and budgeted figures for fiscal years 2018-19 and 2029-20, respectively.
Source: District Audited Financial Statements.

District Budget and Interim Financial Reporting

Budgeting – Education Code Requirements. The District is required under the Education Code of the State to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("**AB 1200**"), which became State law on October 14, 1991. Portions of AB 1200 are summarized in "--Interim Certifications Regarding Ability to Meet Financial Obligations" below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing school districts to use a dual budget adoption option. Instead, all school districts must be on a single budget cycle. A budget is only readopted if it is disapproved by the county office of education, or as needed.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, will determine if the budget includes the expenditures necessary to implement the local control and accountability plan and determine if the budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. On or before August 15, the county superintendent will 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 August 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 August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For a district whose budget has been disapproved, the district must revise and readopt its budget by September 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 October 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. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

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

District's Budget Approval/Disapproval and Certification History. In the past five years, each of the District's interim reports has been certified as positive, and each of its budgets has been approved by the County Superintendent. The District's budget for fiscal year 2019-20 was approved by the Board on June 27, 2019.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the Superintendent's Office at 1651 16th Street, Santa Monica, California 90404; telephone: (310) 450-8338. The District may impose charges for copying, mailing and handling.

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District's Fiscal Year 2018-19 Unaudited Actuals and Fiscal Year 2019-20 Adopted Budget. The following table shows the income and expense statements for the District's General Fund for fiscal year 2018-19 (unaudited actuals) and 2019-20 (adopted budget).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE[(1)]
Fiscal Year 2018-19 (Unaudited Actuals) and 2019-20 (Budgeted)
Santa Monica-Malibu Unified School District

Revenues	2018-19 Unaudited Actuals	2019-20 Adopted Budget
LCFF	$96,068,194	$100,355,024
Federal Revenues	4,381,856	4,172,786
Other State Revenues	5,600,902	3,590,548
Other Local Revenues[(2)]	54,827,692	51,440,166
Total Revenues	160,878,645	159,558,524
Expenditures		
Certificated Salaries	66,053,345	66,754,498
Classified Salaries	30,761,323	30,745,635
Employee Benefits	39,500,106	42,396,766
Books & Supplies	6,399,487	6,513,649
Contract Services & Operating Exp.	18,662,389	17,190,735
Capital Outlay	349,532	139,649
Other Outgo (Excluding Indirect Costs)	56,674	75,000
Other Outgo – Transfers of Indirect Costs	(527,522)	(613,963)
Total Expenditures	161,255,332	163,201,969
Excess of Revenues Over/(Under) Expenditures	(376,687)	(3,643,445)
Other Financing Sources (Uses)		
Operating Transfers In	--	--
Operating Transfers Out	2,059,035	(2,850,000)
Contributions		--
Total Other Financing Sources/(Uses)	(2,059,035)	(2,850,000)
Net Change in Fund Balance	(2,435,722)	(6,493,445)
Fund Balance, July 1	26,024,898[(3)]	22,661,945
Fund Balance, June 30	$22,439,368	$16,168,500

(1) Totals may not foot due to rounding.
(2) The District has significant local funding sources. See below under the heading "-Revenue Sources - Other Local Revenues."
(3) Fund balance as of July 1, 2018 has been restated by ($8,861,131) to reflect funds paid back to the County to reimburse it for ERAF funds inadvertently received by the District during fiscal year 2017-18 which, due to the District attaining Basic Aid Status during fiscal year 2017-18, the District was no longer entitled to.
Source: Santa Monica-Malibu Unified School District.

District Reserves In general, the State requires that California school districts of the District's size maintain the equivalent of 3% of annual general fund expenditures in reserve to be available during financial crisis. The District has historically had a reserve in excess of 3% of expenditures.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 budget (**"SB 858"**), the Education Code was amended to provide that, beginning in fiscal year

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

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01.

The adopted State Budget for fiscal year 2019-20 provides for an initial deposit into the Public School System Stabilization Account of the State of approximately $400 million. This amount is not sufficient to trigger the reserve cap provided for by SB 858, as amended by SB 751. See also STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 Proposed and Adopted State Budget.

The District cannot predict when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 State Budget."

Attendance - LCFF/Basic Aid Funding

Funding Trends. As previously described, prior to fiscal year 2013-14, school districts in the State derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. With respect to the District, it became a Basic Aid district in fiscal year 2017-18, meaning it no longer receives funding based on ADA but instead is entitled to keep its full share of the local property tax apportionment. The following table sets forth education funding trends in the District for fiscal years 2013-14 through 2018-19 (Projected), not including other sources such as federal and local sources.

ADA AND LCFF/BASIC AID FUNDING TRENDS
Fiscal Years 2013-14 through 2017-18 (Projected)
Santa Monica-Malibu Unified School District

Fiscal Year	ADA(1)	Total LCFF/Basic Aid Funding
2013-14	10,817	$69,622,777
2014-15	10,785	89,411,347
2015-16	10,791	84,050,735
2016-17	10,709	91,388,861
2017-18	10,476	102,347,355
2018-19(2)	10,095	96,068,194
2019-20(2)	9,783	100,355,024

(1) P-2 and 2019-20 Budgeted.
(2) The District became a Basic Aid district commencing in fiscal year 2017-18. As Basic Aid, funding entitlement is not based on ADA but the District is entitled to keep its share of local property taxes which exceed its LCFF funding entitlement.
Source: Santa Monica-Malibu Unified School District.

As a Basic Aid District, the District currently receives approximately $5.1 million more than what it would have been entitled to under LCFF.

Unduplicated Count. The District's unduplicated pupil count for LCFF funding purposes is approximately 28 percent.

Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Section 42238(h) of the Education Code of the State itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to. As described above, if a school district qualifies as a Basic Aid District, its funding is derived primarily from its share of local property taxes, not from State funding.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. Other State Revenues consist primarily of apportionments for mandated costs reimbursements, special education master plan, and State lottery apportionments.

Other Local Revenues-Multiple Significant Sources. In addition to its share of local property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals.

Furthermore, the District receives substantial local revenues from voter-approved parcel taxes, education foundation revenues, a portion of voter-approved City of Santa Monica sales tax revenues, and joint facilities use agreements, as more fully described below.

> ***Parcel Tax Measure - Measure R:*** In February 2008, the District successfully passed Measure R with a 73% affirmative vote, whereby District voters authorized a $346 per parcel tax, subject to annual inflation and with no sunset provision. The proceeds from Measure R are budgeted in fiscal year 2019-20 to generate $12.2 million in local revenues.
>
> ***Santa Monica-Malibu Education Foundation:*** The District's Education Foundation raises donations for the District which have exceeded $2 million annually since fiscal year 2014-15. Starting in fiscal year 2018-19, the District operated two separate fundraising foundations, one for the Malibu area schools, and the other for the Santa Monica area schools. The District has budgeted for $2.046 million in foundation revenues in fiscal year 2019-20.
>
> ***City Sales Tax Measure (2010):*** In November 2010, the voters in the City of Santa Monica successfully passed Measure Y, authorizing an additional 0.5% transaction use tax in the City of Santa Monica. Measure YY was a companion advisory measure, asking voters if half of the revenue generated by Measure Y should go to education funding, which was also approved. Measure Y has no termination date. The District has budgeted for $7.6 million in Measure Y revenues in fiscal year 2019-20.
>
> ***City Sales Tax Measure (2016):*** In November 2016, the voters in the City of Santa Monica successfully passed Measure GSH, authorizing an additional 0.5% transaction use tax in the City of Santa Monica. Measure GSH was a companion advisory measure, asking voters if half of the revenue generated by Measure GSH should to education funding, which was also approved. Measure GSH has no termination date. The District has budgeted for $7.6 million in Measure GSH revenues in fiscal year 2019-20.
>
> ***Master Facilities Use Agreements.*** The District is party to master facilities use agreements (the "**Agreements**") with the City of Santa Monica and the City of Malibu. The Agreements are budgeted to provide approximately $9.3 million in revenue in fiscal year 2019-20. The Agreements are set to expire on June 30, 2022, although the Agreements may be renegotiated and extended.

District Retirement Systems

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

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. See "APPENDIX B - Audited Financial Statements of the District For Fiscal Year Ending June 30, 2018" for further information.

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

STRS Contributions
Santa Monica-Malibu Unified School District

Fiscal Year	Amount
2011-12	$4,641,990
2012-13	4,495,038
2013-14	4,728,018
2014-15	5,351,836
2015-16	6,904,034
2016-17	6,814,032
2017-18	9,697,850
2018-19(1)	10,518,577
2019-20(1)	10,736,771

(1) Unaudited Actual/Budgeted.
Source: The District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to fund the unfunded actuarial obligation with respect to service credited members of the STRS Defined Benefit Program before July 1, 2014, within 32 years. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

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

Fiscal Year	Employer Contribution Rate[1]
2019-20[2]	17.10%
2020-21[2]	18.40
2021-22	18.60
2022-23	18.10

(1) Expressed as a percentage of covered payroll. Rates may change based on actual experience and other factors.
(2). Fiscal year 2019-20 and 2020-21 employer contribution rates have been reduced as of adoption of the fiscal year 2019-20 State Budget. See the following paragraph.
Source: AB 1469.

The State's fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. The STRS employer contribution rate for fiscal year 2019-20 is expected to be 17.1% (reduced from 18.13%) and for fiscal year 2020-21 is expected to be 18.4% (reduced from 19.10%).

PERS. The District contributes to the School Employer Pool under the PERS Retirement System, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS Contributions
Santa Monica-Malibu Unified School District

Fiscal Year	Amount
2011-12	$2,530,071
2012-13	2,691,403
2013-14	2,781,066
2014-15	3,032,057
2015-16	3,288,624
2016-17	3,288,625
2017-18	4,789,203
2018-19(1)	4,885,389
2019-20(1)	6,038,704

(1) Unaudited Actual/Budgeted.
Source: The District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, was implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2020-21 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2020-21[1]

Fiscal Year	Employer Contribution Rate[2]
2019-20	19.721%
2020-21	22.900

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll. Rates have been reduced following adoption of the fiscal year 2019-20 State Budget. See the following paragraph
Source: PERS

The State's fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. As a result of the State contributions, the employer contribution rates are expected to be approximately 1% less than previously identified by PERS.

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

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

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

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

Additional Information. Additional information regarding the District's retirement programs is available in Note 11 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriters for accuracy or completeness.*

Other Post-Employment Benefit Obligation

The Plan Generally. The District offers a post-employment benefits plan (the **"Plan"**). Certificated and management employees with at least 10 years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. The classified agreement does not specify a minimum age and service for retirement, but the District's auditor has assumed that classified employees are subject to the same provisions as the other groups. The District contribution each year is set equal to the Blue Shield HMO or Kaiser HMO retiree-only premium plus the retiree-only premium for Delta Dental or Delta Care Dental. For retirees electing PERS Choice or PERS Care, the District contribution is limited to the Kaiser retiree-only premium. The supplemental District contributions end at age 65, at which point retirees may elect to continue coverage for their further lifetime under PEMHCA and receive the statutory minimum District contribution (currently $128.00/month).

As of the 2017-18 fiscal year, member of the Plan consists of 399 retirees and beneficiaries currently receiving benefits and 1,399 active plan members.

Contribution Information. The contribution requirements of Plan members and the District are established and may be amended by the District and District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. After the latest valuation report, in fiscal year 2015-16, the District established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors.

Irrevocable Trust. The District has established an irrevocable trust to fund its OPEB liability. The balance in the Trust as of June 30, 2019 was approximately $7.95 million.

Actuarial Assumptions and Other Inputs. The District's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017. A number of assumptions are used when determining the liability. See Note 10 in the audited financial statements attached as Appendix B.

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

CHANGES IN TOTAL OPEB LIABILITY
Santa Monica-Malibu Unified School District

	Total OPEB Liability
Balance at June 30, 2017	$40,194,946
Service Cost	2,016,686
Interest	1,974,060
Benefit payments	(1,445,115)
Net changes	2,545,631
Balance at June 30, 2018	$42,740,577

Source: District Audit Report.

OPEB Expense. For the year ended June 30, 2018, the District recognized an OPEB expense of $3,699,733.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 10 of Appendix B to the Official Statement.

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Existing Debt Obligations

In addition to debt relating to pensions and OPEB, the District has outstanding general obligation bond indebtedness, certificates of participation and a tax and revenue anticipation note described below.

Outstanding General Obligation Bonds. The District currently has outstanding general obligation and refunding bonds secured by voter-approved *ad valorem* taxes, which are summarized in the following table.

SUMMARY OF OUTSTANDING
GENERAL OBLIGATION BOND INDEBTEDNESS*
Santa Monica-Malibu Unified School District

Series	Issue Date	Final Maturity Date	Interest Rates	Original Principal Amount	Outstanding Principal Amount*
District-wide GO Bonds					
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20%-5.38%	$38,000,034	$8,280,231.95
Election 1998, Series 1999 Accreted Interest	--	--	--	--	16,391,456.55
Election 2006, Series C	7/14/2010	7/1/2023	3.00%-5.00%	10,690,000	1,150,000.00
Election 2006, Series C-1**	7/27/2010	7/1/2035	5.796%-6.634%	54,310,000	54,310,000.00
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00%-5.00%	45,425,000	41,625,000.00
Election 2006, Series D	3/19/2013	7/1/2037	0.17%-5.00%	82,995,327	59,590,000.00
Election 2012, Series A	7/29/2014	7/1/2037	1.00%-3.70%	30,000,000	7,730,000.00
Election 2012, Series B	7/1/2015	7/1/2040	1.00%-3.70%	60,000,000	36,280,000.00
2015 Refunding Bonds	11/10/2015	8/1/2034	3.25%-5.00%	47,915,000	47,915,000.00
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	1.00%-4.00%	28,190,000	27,200,000.00
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	3.00%	660,000	660,000.00
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	2.00%-4.00%	52,140,000	52,140,000.00
Election 2012, Series C	6/21/2017	7/1/2042	3.125%-5.00%	60,000,000	34,175,000.00
Election 2012, Series D	9/6/18	8/1/2043	1.360-5.00%	120,000,000	120,000,000.00
SFID GO Bonds					
SFID 1, Election 2018, Series A	10/2/2019	8/1/2049	3.00%-4.00%	110,000,000	110,000,000.00
SFID 2, Election 2018, Series A	10/2/2019	8/1/2049	3.00%-4.00%	35,000,000	35,000,000.00
TOTALS:				**$775,325,361**	**$652,446,688.50**

*As of October 2, 2019.
**The Series C-1 are federally taxable Build America Bonds.
Source: District Audited Financial Statement.

Authorized Bonds -- 2019 Refunding General Obligation Bonds. The District has also sold its 2019 Refunding General Obligation Bonds (Federally Taxable) in the aggregate principal amount of $105,915,000 (the **"2019 Refunding Bonds"**), for the purpose of refinancing certain maturities of the 2006D and 2012D Bonds identified in the above table for interest cost savings. The 2019 Refunding Bonds are scheduled to be issued concurrently with the Bonds described herein, on November 6, 2019.

Outstanding Certificates of Participation*.* The District currently has outstanding certificates of participation undertaken to provide financing for capital projects, which represent interests in lease payment payable by the District and budgeted and appropriated annually from the District's General Fund. The following table summarizes outstanding certificates of participation.

SUMMARY OF OUTSTANDING
CERTIFICATES OF PARTICIPATION*
Santa Monica-Malibu Unified School District

Issue Name	Issue Date	Final Maturity Date	Interest Rates	Original Principal Amount	Outstanding Principal Amount*
COPs of 2001, Series C	11/15/2001	05/01/2025	3.50%-5.40%	$15,206,501	$3,832,381.55†
2010 Refunding COPs, Series B	12/01/2010	05/01/2024	2.00%-5.00%	8,015,000	1,620,000.00
TOTALS:				**$23,221,501**	**$5,452,381.55**

*As of September 1, 2019.
† Does not include accreted interest.
Source: District Audited Financial Statement.

Short Term Borrowing – 2019-20 TRAN*.* The District participated in the Los Angeles County Schools Pooled Financing Program for tax and revenue anticipation notes relating to fiscal year 2019-20 to provide operating cash prior to the receipt of anticipated tax and other revenues. The District's note issue was for a principal amount of $23,505,000 and is due June 1, 2020.

Investment of District Funds

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

Effect of State Budget on Revenues

Public school districts in the State are generally dependent on revenues from the State for a large portion of their operating budgets, with Basis Aid Districts being an exception to this. School districts in the State generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts in the State is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—Education Funding Generally" and "—Attendance —Revenue Limit and LCFF Funding" above). State funds typically make up the majority of a district's LCFF funding. School districts in the State also receive funding from the State for some specialized programs such as special education. Basic Aid school districts derive most of their funding from their share of local property taxes.

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is funding under the LCFF, which is a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). State funds typically make up the majority of a district's LCFF entitlement.

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

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Corporation, nor the Underwriters are responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

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

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

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

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

Recent State Budgets

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

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Finance" and sub-heading "-Public Finance Division", (1) posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, and (2) also posts various financial documents for the State under the "-Financial Information" link.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the headings "The Budget" and "State Budget Condition."

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools until a later date in the fiscal year or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2019-20 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election and Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

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

2019-20 Adopted State Budget

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

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

- $1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional $1.2 million of ongoing Proposition 51 bond funds;

- $5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;

- $300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;

- $645.3 million ongoing funding for special education, including $152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.

- $147.4 million one-time and ongoing funding to address the shortage of teachers;

- $918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;

- $518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding $530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;

- $460 million one-time general funding to increase the quality and availability of child care, including $263 million for child care and preschool facilities expansion and $195 million for childcare and preschool workforce development;

- one-time funding of $750 million to support local governments in increasing and accelerating housing production; and

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

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

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

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

Inflationary Adjustment of Assessed Valuation*.* As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

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

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

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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 XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State Constitution to prohibit the State Legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. Proposition 22 was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending

December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers and over, $340,000 but less than $408,000 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers and over $408,000 but less than $680,000 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 are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "-Proposition 98" and "-Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the temporary State Sales and Use Tax increase enacted under Proposition 30, which expired as of January 1, 2017.

California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. SB 222 provides that said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

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

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
COUNTY OF LOS ANGELES
SANTA MONICA, CALIFORNIA

AUDIT REPORT
June 30, 2018

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
June 30, 2018

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SUPPLEMENTARY INFORMATION SECTION

SUPPLEMENTARY INFORMATION SECTION (Continued)

FINDINGS AND RECOMMENDATIONS SECTION

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Santa Monica-Malibu Unified School District
Santa Monica, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Santa Monica-Malibu Education Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Santa Monica-Malibu Education Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations, Section 19810*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

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

Emphasis of Matters

Change of accounting principle

As discussed in Note 1 to the basic financial statement, effective July 1, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the Budgetary Comparison Schedule – General Fund on page 65, the Schedule of Changes in Net OPEB Liability and the Related Ratios on page 66, the Schedule of the District's Proportionate Share of the Net OPEB Liability and Related Ratios on page 67, the Schedule of OPEB Contributions on page 68 and 69, the Schedules of Proportionate Share of Net Pension Liability on pages 70 and 71, and the Schedules of Pension Contributions on pages 72 and 73 , be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements of the District. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulator (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements of Federal Awards, and is also not a required part of the basic financial statements of the District.

The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 8, 2017

INTRODUCTION

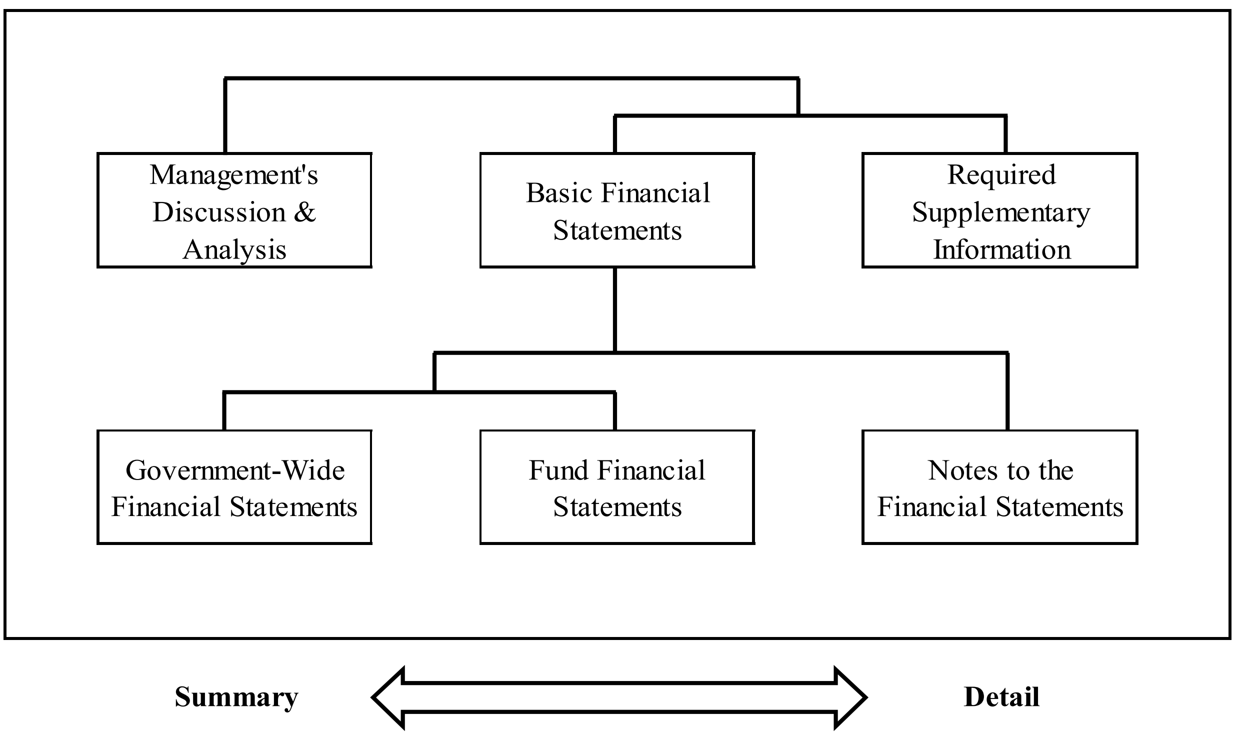
Our discussion and analysis of Santa Monica-Malibu Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position for the primary government was $52,914,795 at June 30, 2018. This was an increase of $31,672,698 from the prior fiscal year's net position.
- Overall revenues for the primary government were $239,612,390 which exceeded expenses of $207,939,692.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



This annual report consists of three parts — Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

    - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

    - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $52,914,795 at June 30, 2018, as reflected in Table A-1 below. Of this amount, ($124,509,448) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

Table A-1
Santa Monica-Malibu Unified School District's Net Position

	Governmental Activities		
	2018	**2017**	**Net Change**
ASSETS			
Current and other assets	$ 192,832,943	$ 235,824,069	$ (42,991,126)
Capital assets	465,573,277	411,223,575	54,349,702
Total Assets	658,406,220	647,047,644	11,358,576
DEFERRED OUTFLOWS OF RESOURCES	78,994,130	55,548,708	23,445,422
LIABILITIES			
Current liabilities	66,164,963	64,758,267	1,406,696
Long-term liabilities	608,194,965	585,814,746	22,380,219
Total Liabilities	674,359,928	650,573,013	23,786,915
DEFERRED INFLOWS OF RESOURCES	10,125,627	9,056,157	1,069,470
NET POSITION			
Net investment in capital assets	115,880,806	96,504,983	19,375,823
Restricted	61,543,437	52,952,431	8,591,006
Unrestricted	(124,509,448)	(106,490,232)	(18,019,216)
Total Net Position	$ 52,914,795	$ 42,967,182	$ 9,947,613

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this fiscal year's operations for the District as a whole are reported in the Statement of Activities. Table A-2 takes the information from the Statement and rearranges them slightly, so you can see our total revenues, expenses, and special items for the fiscal year.

Table A-2
Santa Monica-Malibu Unified School District's Changes in Net Position

	Governmental Activities		
	2018	**2017**	**Net Change**
REVENUES			
Program revenues			
Charges for services	$ 7,087,558	$ 7,017,115	$ 70,443
Operating grants and contributions	28,769,686	33,789,799	(5,020,113)
Capital grants and contributions	0	2,445,054	(2,445,054)
General revenues			
Property taxes	155,462,262	134,845,254	20,617,008
Unrestricted federal and state aid	14,444,664	15,246,594	(801,930)
Other	33,848,220	19,941,011	13,907,209
Total Revenues	239,612,390	213,284,827	26,327,563
EXPENSES			
Instruction	103,805,316	103,008,781	796,535
Instruction-related services	20,250,931	19,226,107	1,024,824
Pupil services	17,830,772	18,286,810	(456,038)
General administration	10,186,877	9,831,300	355,577
Plant services	20,628,834	20,937,812	(308,978)
Ancillary and community services	3,249,298	2,880,909	368,389
Debt service	19,081,800	18,203,224	878,576
Other Outgo	12,905,864	11,256,367	1,649,497
Total Expenses	207,939,692	203,631,310	4,308,382
Change in net position	31,672,698	9,653,517	22,019,181
Net Position - Beginning	42,967,182	33,313,665	9,653,517
Restatements	(21,725,085)	0	(21,725,085)
Net Position - Ending	$ 52,914,795	$ 42,967,182	$ 9,947,613

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all our governmental activities this fiscal year was $207,939,692 (refer to Table A-2). The amount that our taxpayers ultimately financed for these activities through taxes was $155,462,262. The remaining cost was paid by other governments and organizations who subsidized certain programs with grants and contributions of $35,857,244.

Table A-3
Santa Monica-Malibu Unified School District's Cost of Services

	Net Cost of Services	
	2018	2017
Instruction	$ 89,289,157	$ 82,909,127
Instruction-related services	17,538,573	16,413,228
Pupil services	12,857,889	13,033,917
General administration	9,597,870	9,175,881
Plant services	11,720,203	13,640,180
Ancillary and community services	3,062,023	2,585,384
Debt service	19,081,800	18,203,224
Other outgo and depreciation	8,934,933	4,418,401
Total Expenses	$ 172,082,448	$ 160,379,342

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this fiscal year, its governmental funds reported a combined fund balance of $161,677,647, which is less than last fiscal year's ending fund balance of $203,203,386. The District's General Fund had $9,177,729 more in operating revenues than expenditures for the fiscal year ended June 30, 2018. This increase was mainly attributed to unspent allocation across the budget. This amount includes $390,830 returned from Child Development Services (Fund 12), $759,102 of unspent special education local general fund contribution, lower than anticipated utility costs of $207,207, higher property tax of $1,004,766 from the local control funding formula, and higher Measure GSH & Y revenue of $384,494. The District's Building Fund had $59,143,667 less in operating revenues than expenditures due to a significant increase in expenditures towards facilities construction during the fiscal year ended June 30, 2018. Also for the fiscal year ended June 30, 2018, the District's Bond Interest & Redemption Fund had $2,080,455 more in operating revenues than expenditures.

CURRENT YEAR BUDGET 2017-18

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a quarterly basis to reflect changes to both revenues and expenditures that become known during the fiscal year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information. For the General Fund, the final budget differs from the original budget mainly with regard to revenues from state apportionments. Updated information for local control funding formula sources from revised local property tax data and minimum state aid resulted in an increase in revenues on the final budget for the General Fund; therefore, the District closed the fiscal year as a Basic Aid District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2017-18 the District had invested $465,573,277 in capital assets, net of accumulated depreciation. Completion of certain construction projects resulted in a transfer of construction in progress of roughly $57,451,266 to capitalized assets. Additionally, other construction projects commenced or continued adding slightly under $60 million to construction in progress. A total of $12 million in depreciation expense was recorded in fiscal year 2017-18 within the government-wide statement of activities.

Table A-4
Santa Monica-Malibu Unified School District's Capital Assets

	Governmental Activities		
	2018	**2017**	**Net Change**
CAPITAL ASSETS			
Land	$ 15,122,223	$ 10,128,802	$ 4,993,421
Construction in progress	212,965,702	210,679,359	2,286,343
Land improvements	17,591,763	17,352,600	239,163
Buildings & improvements	332,503,211	275,064,503	57,438,708
Furniture & equipment	26,950,769	25,733,080	1,217,689
Accumulated depreciation	(139,560,391)	(127,734,769)	(11,825,622)
Total Capital Assets, Net	$ 465,573,277	$ 411,223,575	$ 54,349,702

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Liabilities

At fiscal year-end 17-18, the District had $ 638,341,301 in long-term liabilities including current portion, an increase of 4 percent from last year — as shown in Table A-5. During 2017-18 the District did not issue any general obligation bonds. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

Table A-5
Santa Monica-Malibu Unified School District's Long-Term Liabilities

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 413,515,171	$ 437,586,310	$ (24,071,139)
Total certificates of participation	12,659,860	13,872,124	(1,212,264)
Capital leases	28,125	79,635	(51,510)
Compensated absences	889,275	1,005,284	(116,009)
Net OPEB obligation	38,066,329	15,140,355	22,925,974
Net pension liability	173,182,541	146,146,001	27,036,540
Less: current portion of long-term debt	(30,146,336)	(28,014,963)	(2,131,373)
Total Long-term Liabilities	$ 608,194,965	$ 585,814,746	$ 22,380,219

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by fiscal year 2018-19 but the annual amount funded to meet the target is uncertain.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy has outpaced U.S. growth since the end of the recession, but the outlook is for slower growth ahead. Personal income is expected to grow 2.5% in 2018, 3.6% in 2019, and 2.9% in 2020; according to the UCLA Anderson Economic Forecast, June 2018. The Legislative Analyst's Office (LAO) estimates significant increases to Proposition 98 minimum guarantees in both 2017-18 and 2018-19.

The District is a Basic Aid district in fiscal year 2017-18 and receives revenue in excess of the LCFF entitlement. The District benefits as a Basic Aid district when funded above its computed revenue (LCFF) along with the fast growth in property taxes yielding a large increase in revenues. However, it is difficult to accurately project property tax growth, making long-term forecasts unreliable. The District does not receive additional funding when enrollment increases (or is higher than estimated.) The District should review its "Inter-district: transfer policy" and keep higher reserves.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (310) 450-8338 or by mail at 1651 16th Street, Santa Monica, California 90404.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government Governmental Activities	June 30, 2017 Discretely Presented Component Unit
Assets		
Cash and investments	$ 181,094,523	$ 10,294,247
Accounts receivable	8,456,827	195,469
Inventories, at cost	38,974	-
Prepaid expenses	240,292	21,348
Other current assets	3,002,327	-
Non depreciable:		
Land	15,122,223	-
Construction in progress	212,965,702	-
Depreciable:		
Land improvements	17,591,763	-
Buildings and improvements	332,503,211	-
Equipment	26,950,769	65,434
Less accumulated depreciation	(139,560,391)	(45,461)
Total assets	658,406,220	10,531,037
Deferred Outflow of Resources		
Deferred outflows related to net pension liability	61,220,334	-
Deferred outflows related to OPEB	55,171	-
Deferred amount on debt refunding	17,718,625	-
Total Deferred Outflows of Resources	78,994,130	-
Liabilities		
Accrued liabilities	29,542,790	2,017,016
Interest payable	4,863,331	-
Unearned revenue	1,612,506	-
Long-term liabilities:		
Due within one year	30,146,336	-
Due in more than a year	608,194,965	-
Total liabilities	674,359,928	2,017,016
Deferred Inflow of Resources		
Deferred inflows related to net pension liability	10,108,899	-
Deferred inflows related to OPEB	16,728	-
Total Deferred Inflows of Resources	10,125,627	-
Net Position		
Net investment in capital assets	115,880,806	19,973
Restricted for:		
Education programs	4,358,701	6,748,693
Debt service	37,871,248	-
Child nutrition program	377,344	-
Capital projects	18,936,144	-
Permanent endowment	-	770,914
Unrestricted	(124,509,448)	974,441
Total net position	$ 52,914,795	$ 8,514,021

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	June 30, 2017
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Discretely Presented Component Unit
Governmental Activities:						
Instruction	$ 103,805,316	$ 1,344,053	$ 13,172,106	$ -	$ (89,289,157)	$ -
Instruction-related services:						
Supervision of instruction	7,380,992	134,237	1,193,321	-	(6,053,434)	-
Instructional library, media, and technology	1,352,135	704	141,173	-	(1,210,258)	-
School site administration	11,517,804	252,399	990,524	-	(10,274,881)	-
Pupil services:						
Home-to-school transportation	1,775,035	-	-	-	(1,775,035)	-
Food services	3,493,523	1,199,862	1,588,444	-	(705,217)	-
All other pupil services	12,562,214	345	2,184,232	-	(10,377,637)	-
General administration:						
Data processing	1,383,470	-	-	-	(1,383,470)	-
All other general administration	8,803,407	159,619	429,388	-	(8,214,400)	-
Plant services	20,628,834	2,428,451	6,480,180	-	(11,720,203)	-
Ancillary services	851,803	7,601	16,902	-	(827,300)	-
Community services	2,397,495	61,439	101,333	-	(2,234,723)	-
Interest on long-term debt	19,081,800	-	-	-	(19,081,800)	-
Other outgo	75,124	1,498,848	2,472,083	-	3,895,807	-
Depreciation (unallocated)	12,830,740	-	-	-	(12,830,740)	-
Total Governmental Activities	$ 207,939,692	$ 7,087,558	$ 28,769,686	$ -	(172,082,448)	-
Discretely Presented Component Unit						
Santa Monica-Malibu Education Foundation	$ 3,318,731	$ 28,500	$ 2,808,869	$ -		(481,362)
Total	$ 3,318,731	$ 28,500	$ 2,808,869	$ -		(481,362)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes					92,103,935	-
Taxes levied for debt service					39,956,912	-
Taxes levied for other specific purposes					23,401,415	-
Federal and state aid not restricted to specific purposes					14,444,664	-
Interest and investment earnings					578,633	727,142
Miscellaneous					33,269,587	-
Total general revenues					203,755,146	727,142
Change in net position					31,672,698	245,780
Net position beginning of fiscal year					42,967,182	8,268,241
Restatements					(21,725,085)	-
Net position, beginning of fiscal year - restated					21,242,097	8,268,241
Net position, end of fiscal year					$ 52,914,795	$ 8,514,021

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Assets					
Cash and investments	$ 47,670,061	$ 68,998,999	$ 42,183,382	$ 22,242,081	$ 181,094,523
Accounts receivable	6,683,156	423,995	-	1,349,676	8,456,827
Stores inventories	-	-	-	38,974	38,974
Prepaid expenditures	170,362	69,930	-	-	240,292
Other current assets	3,002,327	-	-	-	3,002,327
Total assets	$ 57,525,906	$ 69,492,924	$ 42,183,382	$ 23,630,731	$ 192,832,943
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 17,334,623	10,719,690	$ -	$ 1,488,477	$ 29,542,790
Unearned revenue	1,392,971	-	-	219,535	1,612,506
Total liabilities	18,727,594	10,719,690	-	1,708,012	31,155,296
Fund balances:					
Nonspendable					
Revolving cash	20,000	-	-	-	20,000
Store inventories	-	-	-	38,974	38,974
Prepaid expenditures	170,362	69,930	-	-	240,292
Restricted					
Medi-Cal billing option	22,078	-	-	-	22,078
Lottery - instructional materials	1,545,543	-	-	-	1,545,543
College readiness block grant	108,558	-	-	-	108,558
Ongoing and major maintenance	300,824	-	-	-	300,824
Other restricted - local revenue	1,907,679	-	-	-	1,907,679
Adult education	-	-	-	368,106	368,106
Child development	-	-	-	105,913	105,913
Nutrition	-	-	-	338,370	338,370
Capital projects	-	58,703,304	-	19,506,167	78,209,471
Debt service	-	-	42,183,382	-	42,183,382
Committed					
Deferred maintenance	-	-	-	568,933	568,933
Assigned					
Adult education	-	-	-	296,241	296,241
Child development	-	-	-	700,015	700,015
Other	27,258,775	-	-	-	27,258,775
Unassigned					
Unassigned	7,464,493	-	-	-	7,464,493
Total fund balances	38,798,312	58,773,234	42,183,382	21,922,719	161,677,647
Total liabilities and fund balances	$ 57,525,906	$ 69,492,924	$ 42,183,382	$ 23,630,731	$ 192,832,943

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

Total fund balances - governmental funds			$ 161,677,647
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		$ 605,133,668	
Accumulated depreciation		(139,560,391)	
	Net		465,573,277
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:			17,718,625
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 net position, it is recognized in the period that it is incurred.			(4,863,331)
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 payable		$ (360,110,615)	
Bond premiums		(30,965,321)	
Bond discounts		24,957	
Accreted bond interest payable		(22,464,192)	
Certificates of participation (COP)		(6,371,502)	
COP premiums		(248,344)	
COP accreted interest payable		(6,040,014)	
Capital leases		(28,125)	
Compensated absences payable		(889,275)	
Net OPEB obligation		(38,066,329)	
Net pension liability		(173,182,541)	
	Total		(638,341,301)
In governmental funds, deferred outflows and inflows of resources relating to pensions and 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 pensions and OPEB are reported.			
Deferred outflows of resources		$ 61,275,505	
Deferred inflows of resources		(10,125,627)	51,149,878
Total net position, governmental activities			$ 52,914,795

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Revenues:					
LCFF Sources:					
State apportionments	$ 8,434,187	$ -	$ -	$ -	$ 8,434,187
Education protection state aid	2,096,214	-	-	-	2,096,214
Local sources	91,816,954	-	-	-	91,816,954
Federal	4,378,540	-	2,286,157	3,052,583	9,717,280
Other state	10,358,283	-	65,809	6,298,031	16,722,123
Other local	53,037,594	1,795,770	40,321,253	19,348,165	114,502,782
Total revenues	170,121,772	1,795,770	42,673,219	28,698,779	243,289,540
Expenditures:					
Certificated salaries	65,715,527	-	-	3,326,495	69,042,022
Classified salaries	30,863,996	505,600	-	3,917,170	35,286,766
Employee benefits	43,075,617	229,008	-	3,176,998	46,481,623
Books and supplies	3,539,712	754,678	-	1,474,351	5,768,741
Contracted services and other operating expenditures	16,431,823	31,588,815	-	2,326,221	50,346,859
Capital outlay	1,759,433	27,861,335	-	5,683,400	35,304,168
Other outgo	(495,453)	-	-	570,577	75,124
Debt service					
Principal	51,510	-	21,180,096	1,695,000	22,926,606
Interest	1,878	-	19,412,668	168,824	19,583,370
Total expenditures	160,944,043	60,939,436	40,592,764	22,339,036	284,815,279
Excess of revenues over (under) expenditures	9,177,729	(59,143,666)	2,080,455	6,359,743	(41,525,739)
Other Financing Sources (Uses):					
Transfers in	-	-	-	1,600,000	1,600,000
Transfers out	(1,600,000)	-	-	-	(1,600,000)
Total other financing sources (uses)	(1,600,000)	-	-	1,600,000	-
Net change in fund balances	7,577,729	(59,143,666)	2,080,455	7,959,743	(41,525,739)
Fund balance - beginning	31,220,583	117,916,900	40,102,927	13,962,976	203,203,386
Fund balances - ending	$ 38,798,312	$ 58,773,234	$ 42,183,382	$ 21,922,719	$ 161,677,647

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds			$ (41,525,739)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
	Capital asset additions	$ 67,435,612	
	Depreciation expense	(12,830,740)	54,604,872
If a planned capital project is canceled and will not be completed, costs previously capitalized as Construction in Progress must be written off to expense. Costs written off for canceled projects were:			(255,170)
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. For the fiscal year ended June 30, 2018, the District has following repayments of long-term debt:			
	General obligation bonds	$ 21,180,096	
	Certificates of participation	1,695,000	
	Capital leases	51,510	22,926,606
In government funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium plus a deferred loss from debt refunding, is amortized as interest over the life of the debt. Amortization of the debt issue premium, plus any deferred loss from debt refunding, for the period is:			623,605
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 owing at the end of the period, less matured interest paid during the period but owing from the prior period was:			
	Bond accreted interest accrual	$ (1,888,185)	
	Bond accreted interest paid	3,034,904	
	COPs accreted interest accrual	(528,044)	
	Bond interest accrual	(4,863,331)	
	Bond interest paid	4,122,621	(122,035)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).			116,009

See notes to basic financial statements

(Continued)

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
For the Fiscal Year Ended June 30, 2018

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:	$	(1,162,446)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This fiscal year, the difference between accrual basis pension costs and actual employer contributions was:		(3,533,004)
Changes in net position of governmental activitie:	$	31,672,698

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2018

	Expendable Trust	Agency Funds		
	Retiree Benefits Fund	Student Body Funds	Payroll Clearance Fund	Total
Assets				
Cash and investments	$ 7,848,085	$ 413,184	$ 550,544	$ 963,728
Accounts receivable	2,427	-	681	681
Total assets	7,850,512	$ 413,184	$ 551,225	$ 964,409
Liabilities:				
Accounts payable	$ -	$ -	$ 551,225	$ 551,225
Due to student groups	-	413,184	-	413,184
Total liabilities	-	$ 413,184	$ 551,225	$ 964,409
Net Position:				
Unrestricted	$ 7,850,512			

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Expendable Trust Retiree Benefits Fund
Additions:	
Contributions	$ 2,302,778
Investment earnings	324,257
Total additions	2,627,035
Deductions:	
Employee benefits	1,166,168
Change in net position	1,460,867
Net position - beginning	6,389,645
Net position - ending	$ 7,850,512

See notes to basic financial statements

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Santa Monica-Malibu Unified School District was established in 1875, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates ten elementary schools, two middle schools, two high schools, one continuation high school, one alternative school, one adult education center, and fifteen child care and development centers.

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has the following discretely presented component unit:

The Santa Monica-Malibu Education Foundation (Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation was established in 1982 in response to devastating federal and state education budget cuts. The Foundation was founded by a dedicated group of parents, community leaders, and local business owners to enhance and supplement the curriculum of the District. The Foundation is run by a fourteen-member Board of Directors. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its governmental and fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds *(Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property *(Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board *(Education Code Section* 41003).

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District *(Education Code Sections* 15125-15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education *(Education Code Sections* 52616[b] and 52501.5[a]).

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act *(Education Code Section* 8200 *et seq.)* shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources *(Education Code Section* 8328).

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program *(Education Code Sections* 38090-38093). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program *(Education Code Sections* 38091 and 38100).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes *(Education Code Sections* 17582-17587). In addition, whenever the state funds provided pursuant to *Education Code Sections* 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District *(Education Code Sections* 17582 and 17583).

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development *(Education Code Sections* 17620-17626). The authority for these levies may be county/city ordinances *(Government Code Sections* 65970-65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund *(Government Code Section* 66006).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes *(Education Code Section* 42840).

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

Warrant/Pass-Through Fund: The Warrant/Pass-Through Fund is an agency fund that exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions. It is also used to account for those receipts for transfer to agencies which the LEA is acting simply as a "cash conduit."

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body *(Education Code Sections* 48930-48938).

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting - Measurement Focus

Government-Wide and Fiduciary Financial Statements
The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues — Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the 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 to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting — Measurement Focus (continued)

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. 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.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

Inventories

Inventories are valued at average cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts
In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District reports 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 and so will not be recognized as an inflow of resources (revenue) until that time.

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

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

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 75, A*ccounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (Continued)

The District adopted this accounting standard effective July 1, 2017. As a result of adopting GASB 75, which was applied retroactively, the District restated its other postemployment benefit liability and its net position as of June 30, 2017, by $21,725,085.

K. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61	The provision of this statement is effective for fiscal years beginning after December 15, 2018.

NOTE 2— CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	$ 180,501,796	$ 2,868,459
Cash on hand and in banks	572,727	413,184
Cash in revolving fund	20,000	-
CalPERS CERBT	-	5,530,170
Total Cash and Investments	$ 181,094,523	$ 8,811,813

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury — The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon 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.

NOTE 2— CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Marker Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$65 Million
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $180,913,827 and an amortized book value of $183,370,255 for all governmental funds and fiduciary funds. The average weighted maturity for this pool is 609 days. The District also maintains an investment with CalPERS — California Employers' Retiree Benefit Trust (CERBT) Strategy 1 with a fair value of $5,530,170.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury and CalPERS CERBT were not rated.

NOTE 2— CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk — Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool and CalPERS CERBT are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements at June 30, 2018 were as follows:

	Fair Value of Investments
	Uncategorized
Investment in county treasury	$ 183,370,255
CalPERS CERBT	5,530,170
Total fair market value of investments	$ 188,900,425

NOTE 3— ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	$ 2,683,739	$ -	$ 355,887	$ 3,039,626	$ -
State Government					
Categorical aid	871,374	-	3,974	875,348	-
Lottery	482,545	-	-	482,545	-
Local Government					
Other local sources	2,645,498	423,995	989,815	4,059,308	3,108
Total accounts receivable	$ 6,683,156	$ 423,995	$ 1,349,676	$ 8,456,827	$ 3,108

NOTE 4— CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 10,128,802	$ 4,993,421	$ -	$ -	$ 15,122,223
Construction in progress	210,679,359	59,992,779	(255,170)	(57,451,266)	212,965,702
Total capital assets, not being depreciated	220,808,161	64,986,200	(255,170)	(57,451,266)	228,087,925
Capital assets being depreciated:					
Land improvements	17,352,600	151,083	(213)	88,293	17,591,763
Buildings and improvements	275,064,503	-	-	57,438,708	332,503,211
Furniture and equipment	25,733,080	2,298,329	(1,004,905)	(75,735)	26,950,769
Total capital assets being depreciated	318,150,183	2,449,412	(1,005,118)	57,451,266	377,045,743
Accumulated depreciation for:					
Land improvements	(12,585,575)	(411,339)	213	-	(12,996,701)
Buildings and improvements	(100,398,150)	(10,779,814)	-	-	(111,177,964)
Furniture and equipment	(14,751,044)	(1,639,587)	1,004,905	-	(15,385,726)
Total accumulated depreciation	(127,734,769)	(12,830,740)	1,005,118	-	(139,560,391)
Total capital assets, being depreciated, net	190,415,414	(10,381,328)	-	57,451,266	237,485,352
Governmental activity capital assets, net	$411,223,575	$54,604,872	$ (255,170)	$ -	$465,573,277

Depreciation unallocated	$ 12,830,740
Total depreciation expense	$ 12,830,740

NOTE 5— INTERFUND TRANSACTIONS

Transfers

Interfund transfers for the fiscal year ended June 30, 2018 consisted of the following:

	Interfund Transfers In	
Interfund Transfers Out	Non-Major Governmental Funds	Total
General Fund	$ 1,600,000	$ 1,600,000
Total interfund transfers	$ 1,600,000	$ 1,600,000

From the General Fund to the Cafeteria Fund for operational costs	$ 900,000
From the General Fund to the Deferred Maintenance Fund for maintenance costs	700,000
Total interfund transfers	$ 1,600,000

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Payroll	$ 14,726,845	$ 52,913	$ 738,147	$ 15,517,905	$ 551,225
Construction	-	10,666,777	-	10,666,777	-
Vendors payable	2,451,748	-	749,654	3,201,402	-
Due to grantor governments	151,856	-	-	151,856	-
Other liabilities	4,174	-	676	4,850	-
Totals accrued liabilities	$ 17,334,623	$ 10,719,690	$ 1,488,477	$ 29,542,790	$ 551,225

NOTE 7— UNEARNED REVENUE

Unearned revenue at June 30, 2018 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal categorical sources	$ 20,422	$ -	$ 20,422
State categorical sources	534,719	90,388	625,107
Local sources	837,830	129,147	966,977
Total unearned revenue	$ 1,392,971	$ 219,535	$ 1,612,506

NOTE 8— LONG-TERM DEBT

	Balance July 1, 2017	Restatements	Additions	Deletions	Balance June 30, 2018	Due within One Year
Governmental Activities						
General obligation bonds:						
Principal	$ 381,290,711	$ -	$ -	$ (21,180,096)	$ 360,110,615	$ 23,121,117
Unamortized premium	32,711,428	-	-	(1,746,107)	30,965,321	1,746,107
Unamortized discount	(26,740)	-	-	1,783	(24,957)	(1,783)
Accreted interest	23,610,911	-	1,888,185	(3,034,904)	22,464,192	3,243,605
Total general obligation bonds	437,586,310	-	1,888,185	(25,959,324)	413,515,171	28,109,046
Certificates of participation payable:						
Principal	8,066,502	-	-	(1,695,000)	6,371,502	919,183
Unamortized premium	293,652	-	-	(45,308)	248,344	45,308
Accreted interest	5,511,970	-	528,044	-	6,040,014	822,355
Total certificates of participation payable	13,872,124	-	528,044	(1,740,308)	12,659,860	1,786,846
Capital leases	79,635	-	-	(51,510)	28,125	28,125
Compensated absences	1,005,284	-	-	(116,009)	889,275	222,319
Net OPEB obligation	15,140,355	21,784,323	1,237,908	(96,257)	38,066,329	-
Net pension liability	146,146,001	-	39,647,935	(12,611,395)	173,182,541	-
Totals	$ 613,829,709	$ 21,784,323	$ 43,302,072	$ (40,574,803)	$ 638,341,301	$ 30,146,336

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments on certificates of participation are made in the Special Reserve Fund for Capital Outlay Projects.

Payments for capital lease obligations are made in the General Fund.

Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

Payments for Net OPEB liability are typically made in the General Fund.

Payments for pension liability are typically liquidated in the General Fund and the Non-Major Governmental Funds.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund. A summary of bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
1998 Refunding Bonds	6/18/1998	8/1/2028	3.75%-5.25%	$ 68,145,000	$ 8,820,000	$ -	$ (4,295,000)	$ 4,525,000
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20%-5.38%	38,000,034	14,390,711	-	(1,850,096)	12,540,615
Election 1998, Series 1999 Accreted Interest					23,610,911	1,888,185	(3,034,904)	22,464,192
Election 2006, Series A	10/2/2007	8/1/2032	4.00%-5.50%	60,000,000	825,000	-	(825,000)	-
Election 2006, Series B	7/23/2009	8/1/2019	1.50%-5.00%	11,875,000	4,335,000	-	(1,265,000)	3,070,000
Election 2006, Series C	7/14/2010	7/1/2023	3.00%-5.00%	10,690,000	3,555,000	-	(630,000)	2,925,000
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00%-5.00%	45,425,000	44,525,000	-	(245,000)	44,280,000
Election 2006, Series D	3/19/2013	7/1/2037	0.17%-5.00%	82,995,327	60,385,000	-	(135,000)	60,250,000
Election 2012, Series A	7/29/2014	7/1/2037	1.00%-3.70%	30,000,000	7,730,000	-	-	7,730,000
Election 2012, Series B	7/1/2015	7/1/2040	1.00%-3.70%	60,000,000	47,820,000	-	(11,540,000)	36,280,000
2015 Refunding Bonds	11/10/2015	8/1/2034	3.25%-5.00%	47,915,000	47,915,000	-	-	47,915,000
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	1.00%-4.00%	28,190,000	28,190,000	-	(395,000)	27,795,000
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	3.00%	660,000	660,000	-	-	660,000
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	2.00%-4.00%	52,140,000	52,140,000	-	-	52,140,000
Election 2012, Series C	6/21/2017	7/1/2042	3.125%-5.00%	60,000,000	60,000,000	-	-	60,000,000
		General obligation bonds			404,901,622	1,888,185	(24,215,000)	382,574,807
		Unamortized premium			32,711,428	-	(1,746,107)	30,965,321
		Unamortized discount			(26,740)	-	1,783	(24,957)
		Total general obligation bonds			$ 437,586,310	$ 1,888,185	$ (25,959,324)	$ 413,515,171

Series 1998 Refunding Bonds

On June 18, 1998, the District issued $68,145,000 of General Obligation Refunding Bonds Series 1998, with interest rates ranging from 3.75% to 5.25%. The bonds were issued to refund and defease all of the 1991A Bonds and 1993 Bonds maturing after August 1, 1998. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 1999, principal on the bonds is payable annually each August 1, commencing August 1, 1999 through the final maturity date of August 1, 2018. The principal balance outstanding on June 30, 2018 amounted to $4,525,000.

Election 1998

In an election held November 3, 1998, the voters authorized the District to issue and sale $42,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the rehabilitation, construction, and renovation of school facilities to improve learning conditions, removing asbestos, making earthquake safety improvements and providing handicapped access, as well as paying the costs of issuance incurred in connection with the issuance of the bonds. There is one issuance outstanding under this election.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 1998 (continued)
Series 1999, which was issued on May 26, 1999 for $38,000,034 with interest rates ranging from 3.20% to 4.50%. The original issuance consisted of $15,825,000 in current interest serial bonds and $22,175,034 in capital appreciation serial bonds. Interest on the current interest bonds accrues from its dated date and is payable semi-annually each February 1 and August 1, commencing February 1, 2000, principal on the bonds is payable annually each August 1, commencing August 1, 2000 through the final maturity date of August 1, 2011. The capital appreciation bonds accrue interest from its dated date, compounded semi-annually on February 1 and August 1 of each year, principal on the bonds is payable annually each August 1, commencing August 1, 2012 through the final maturity date of August 1, 2023. The principal balance outstanding and accreted interest on June 30, 2018 amounted to $12,540,615 and $22,464,192 respectively.

Election 2006
In an election held November 7, 2006, the voters authorized the District to issue and sale $268,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the construction, renovation, modernization, and equipping of school facilities and to pay costs of issuance associated with the bonds. There were six issuances under this election:

Series A, which was issued on October 2, 2007 for $60,000,000 with interest rates ranging from 4.00% to 5.00%. The original issuance consisted of $45,835,000 in current interest serial bonds and $14,165,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2008, principal on the bonds is payable annually each August 1, commencing August 1, 2008 through the final maturity date of August 1, 2032. The principal balance outstanding on June 30, 2018 amounted to $0.

Series B, which was issued on July 23, 2009 for $11,875,000 with interest rates ranging from 1.50% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each February 1 and August 1, commencing February 1, 2010, principal on the bonds is payable annually each August 1, commencing August 1, 2010 through the final maturity date of August 1, 2019. The principal balance outstanding on June 30, 2018 amounted to $3,070,000.

Series C, which was issued on July 14, 2010 for $10,690,000 with interest rates ranging from 3.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each January 1 and July 1, commencing January 1, 2011, principal on the bonds is payable annually each July 1, commencing July 1, 2011 through the final maturity date of July 1, 2023. On October 11, 2016, the District issued 2016 Series A to advance refund the entire remaining balance of 2006 General Obligation Refunding Bonds, a partial of Election 2006 Series C Bonds, and a partial of Election 2006 Series D Bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is $10,283,406 and an economic gain (difference between the present values of the old and new debt) of $5,185,372. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. The principal balance outstanding on June 30, 2018 amounted to $2,925,000.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 2006 (continued)

Series D, which was issued on March 19, 2013 for $82,995,327 with interest rates ranging from 0.17% to 5.00%. The original issuance consisted of $42,780,000 in current interest serial bonds, $24,200,000 in current interest term bonds and $16,015,327 in capital appreciation serial bonds. Interest on the current interest bonds is payable semi-annually each January 1 and July 1, commencing July 1, 2013, principal on the bonds is payable annually each July 1, commencing July 1, 2013 through the final maturity date of July 1, 2037. On October 11, 2016, the District issued 2016 Series A to advance refund the entire remaining balance of 2006 General Obligation Refunding Bonds, a partial of Election 2006 Series C Bonds, and a partial of Election 2006 Series D Bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is $10,283,406 and an economic gain (difference between the present values of the old and new debt) of $5,185,372. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District’s financial statements. The principal balance outstanding on June 30, 2018 amounted to $60,250,000.

2013 General Obligation Refunding Bonds

On January 8, 2013, the District issued $45,425,000 of 2013 General Obligation Refunding Bonds, with interest rates ranging from 2.00% to 5.00%. The bonds were issued to refund all or a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series A and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each February 1 and August 1, commencing August 1, 2032, principal on the bonds is payable annually each August 1, commencing August 1, 2013 through the final maturity date of August 1, 2013. The principal balance outstanding on June 30, 2018 amounted to $44,280,000.

Election 2012

On November 6, 2012, the voter's in the District approved Measure ES, a bond proposition whereby the District is authorized to borrow $385 million.

Series A, on July 29, 2014, the District issued $30,000,000 of Election 2012, Series A General Obligation Bonds, with interest rates ranging from 2.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2015. Principal on the bonds is payable on July 1 consisting of seven separate payments through the final maturity date of July 1, 2037. As of June 30, 2018, the full principal balance of $7,730,000 remained outstanding.

Series B, on July 1, 2015, the District issued $60,000,000 of Election 2012, Series B General Obligation Bonds, with interest rates ranging from 1.00% to 3.70%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2016. Principal on the bonds is payable on July 1 through the final maturity date of July 1, 2040. As of June 30, 2018, the full principal balance of $36,280,000 remained outstanding.

NOTE 8 — LONG-TERM DEBT (continued)

A. <u>Bonded Debt</u> <u>(continued)</u>

Election 2012 (continued)

Series C, on June 21, 2017, the District issued $60,000,000 of Election 2012, Series C General Obligation Bonds, with interest rates ranging from 3.125% to 5.00%. The original issuance consisted $46,995,000 of current interest serial bonds and $13,005,000 term bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2018. Principal on the bonds is payable on July 1 through the final maturity date of July 1, 2042. As of June 30, 2018, the full principal balance of $60,000,000 remained outstanding.

2015 General Obligation Refunding Bonds

On November 10, 2015, the District issued $47,915,000 of 2015 General Obligation Refunding Bonds, with interest rates ranging from 3.25% to 5.00%. The bonds were issued to advance refund the District's outstanding General Obligation Bonds, Election of 2006, Series B-1 and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2016, principal on the bonds is payable annually each August 1, commencing August 1, 2020 through the final maturity date of August 1, 2034. The principal balance outstanding on June 30, 2018 amounted to $47,915,000.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amount on refunding on the statement of net position and are amortized as an expense over the life of the bond. As of June 30, 2018, the principal balance on the defeased debt was $48,125,000.

2016 General Obligation Refunding Bonds

On October 11, 2016, the District issued $28,190,000, $660,000, and $52,140,000 of 2016 General Obligation Refunding Bonds Series A, Series B, and Series C respectively, with interest rates ranging from 1.00% to 5.00%. The bonds were issued to advance refund the District's outstanding 2006 General Obligation Refunding Bonds, Election 2006, Series C, Election 2006, Series C-1, and Election 2006, Series D and pay costs of issuance of the bonds. Interest on the bonds is payable semi-annually each July 1 and January 1, commencing January 1, 2017, principal on the bonds is payable annually each July 1, commencing July 1, 2017 through the final maturity date of July 1, 2035. The principal balance outstanding on June 30, 2018 for Series A, B, and C amounted to $27,795,000, $660,000 and $52,140,000 respectively.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amount on refunding on the statement of net position and are amortized as an expense over the life of the bond. As of June 30, 2018, the principal balance on the 2006 General Obligation Refunding Bonds, Election 2006, Series C, Election 2006, Series C-1, and Election 2006, Series D defeased debts were $0, $4,955,000, $54,310,000, $16,015,327 respectively.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Debt Service Requirements to Maturity — Bonds The bonds mature through 2043 as follows:

Fiscal Years	General Obligation Bonds		
Ending June 30,	Principal	Interest	Total
2019	$ 23,121,117	$ 13,669,801	$ 36,790,918
2020	20,244,265	14,516,872	34,761,137
2021	7,888,576	17,372,918	25,261,494
2022	8,497,008	17,192,666	25,689,674
2023	9,201,960	17,063,565	26,265,525
2024-2028	53,682,689	57,877,173	111,559,862
2029-2033	92,775,000	38,747,955	131,522,955
2034-2038	114,085,000	17,739,769	131,824,769
2039-2043	30,615,000	2,374,773	32,989,773
Total	$ 360,110,615	$ 196,555,492	$ 556,666,107

B. Certificates of Participation (COPs)

A summary of the District's certificate of participation are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2017	Additions	Deductions	Certificates Outstanding June 30, 2018
2001 Series C	11/15/2001	5/1/2015	3.5%-5.4%	$ 15,206,501	$ 4,466,502	$ -	$ -	$ 4,466,502
2002 Series C Accreted Interest					5,511,970	528,044	-	6,040,014
2010 Series B	12/1/2010	2/1/2024	2.0%-5.0%	8,015,000	3,600,000	-	(1,695,000)	1,905,000
		Certificated of participation			13,578,472	528,044	(1,695,000)	12,411,516
		Unamortized premium			293,652	-	(45,308)	248,344
		Total certificates of participation			$ 13,872,124	$ 528,044	$ (1,740,308)	$ 12,659,860

2001 Series C

On November 15, 2001, the District and the Los Angeles County Schools Regionalized Business Services Corporation entered a sublease in which the Corporation leased to the District certain real property and buildings and improvements situated thereon. The 2001 Series C Certificates of Participation were executed and delivered to finance payments relating to acquisition of certain interests in real property, fund a reserve fund and pay costs of execution and delivery of the certificates. Series C Certificates consisted of $10,740,000 of current interest serial certificates and $4,466,501 of capital appreciation serial certificates for a total issuance of $15,206,501.

The certificates have interest rates ranging from 3.50% to 5.40%. Interest on the current interest certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2002, principal on the certificates is payable annually each May 1, commencing May 1, 2002 through the final maturity date of May 1, 2018. Interest on the capital appreciation certificates accretes from the dated date, compounded semi-annually on each May 1 and November 1, commencing May 1, 2002, principal and interest payments are payable semi-annually each May 1 and November 1, commencing November 1, 2018 through the final maturity date of May 1, 2025. A portion of the outstanding certificates were refunded with proceeds from the 2010 Refunding Certificates. The outstanding principal and accreted interest balance at June 30, 2018 amounted to $4,466,502 and $6,040,014 respectively.

NOTE 8— LONG-TERM DEBT (continued)

B. Certificates of Participation (COPs) (continued)

2010 Refunding, Series B (Tax-Exempt)
On December 1, 2010, the District and the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and building and improvements situated thereon. The 2010 Refunding Certificates of Participation, Series B were executed and delivered to refund a portion of the District's outstanding Certificates of Participation, 2001 Series C, finance the construction, renovation, and modernization of school sites and facilities, and pay the costs related to the execution and delivery of the Certificates. Series B Certificates consisted of $8,015,000 in current interest serial certificates. The certificates have interest rates ranging from 2.00% to 5.00%. Interest on the certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2011, principal on the certificates is payable annually each May 1, commencing May 1, 2014 through the final maturity date of May 1, 2024. The principal balance outstanding at June 30, 2018 amounted to $1,905,000.

Debt Service Requirements to Maturity – COPs

The certificates mature through 2025 as follows:

Fiscal Years	Certificates of Participation		
Ending June 30,	Principal	Interest	Total
2019	$ 919,183	$ 949,948	$ 1,869,131
2020	892,929	974,802	1,867,731
2021	1,038,227	1,272,704	2,310,931
2022	1,006,861	1,306,670	2,313,531
2023	985,632	1,331,899	2,317,531
2024-2025	1,528,670	2,726,862	4,255,532
Total	$ 6,371,502	$ 8,562,885	$ 14,934,387

C. Capital Leases

The District entered into two capital leases with options to purchase for bus fleets. Payments for capital lease obligations are made in the General Fund. Future minimum lease payments are as follows:

Fiscal Years Ending June 30,	Lease Payment
2019	$ 28,798
Total minimum lease payments	28,798
Less amount representing interest	(673)
Present value of minimum lease payments	$ 28,125

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $889,275. This amount is included as part of long-term liabilities in the government-wide financial statements.

NOTE 8— LONG-TERM DEBT (continued)

E. Other Postemployment Benefits (OPEB)

The District follows GASB Statement No, 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The ending OPEB balance at June 30, 2018 was $38,066,329. See Notes 10 and 11 for additional information regarding the net OPEB Obligation and the postemployment benefit plan.

F. Pension Liability

The District's beginning net pension liability was $146,146,001 and increased by $27,036,540 during the fiscal year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $173,182,541. See Note 11 for additional information regarding the net pension liability.

NOTE 9— FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 20,000	$ -	$ -	$ -	$ 20,000
Stores inventories	-	-	-	38,974	38,974
Prepaid expenditures	170,362	69,930	-	-	240,292
Total Non-spendable	190,362	69,930	-	38,974	299,266
Restricted					
Educational programs	3,884,682	-	-	368,106	4,252,788
Capital projects	-	58,703,304	-	19,506,167	78,209,471
Debt service	-	-	42,183,382	-	42,183,382
All others	-	-	-	444,283	444,283
Total Restricted	3,884,682	58,703,304	42,183,382	20,318,556	125,089,924
Committed					
Others commitments	-	-	-	568,933	568,933
Total Committed	-	-	-	568,933	568,933
Assigned					
Reserve for FY 19-21 deficit spending	3,068,829	-	-	-	3,068,829
Reserve up to two months expenses	22,129,753	-	-	-	22,129,753
Other assignments	2,060,193	-	-	996,256	3,056,449
Total Assigned	27,258,775	-	-	996,256	28,255,031
Unassigned					
Reserve for economic uncertainties	4,857,751	-	-	-	4,857,751
Unassigned	2,606,742	-	-	-	2,606,742
Total Unassigned	7,464,493	-	-	-	7,464,493
Total	$ 38,798,312	$ 58,773,234	$ 42,183,382	$ 21,922,719	$ 161,677,647

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three (3) percent of General Fund expenditures and other financing uses.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

At June 30, 2018, net OPEB liability and related deferred inflows of resources are as follows:

	Governmental Activities
Net OPEB liabilities:	$ 37,210,407
Total net OPEB liabilities	$ 37,210,407
Deferred inflows of Resources:	
Net differences between projected and actual earnings of investments	$ 16,710
Total deferred inflows of resources	$ 16,710

Plan Description

Plan administration. The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through contributions of amounts up to the premiums for either of the PEMHCA HMOs (including dependent coverage), plus coverage under one of the District's dental plans (Delta Dental and Delta Care). This contribution includes the statutory minimum ($128.00 per month for 2017) that the District designates for PEMHCA. The $128.00 per month is scheduled by law to be indexed with medical inflation (CPI) for years 2016 and thereafter. The District also contributes the PEMHCA administrative fee of 0.33% of premium for all active employees.

Benefits provided. The District also offers PEMHCA to its retirees. The District contributes the statutory minimum ($128.00 per month for 2017) as well as the administrative fee of 0.33% of premium to PEMHCA on behalf of each retiree eligible for and participating in PEMHCA. Furthermore, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to provisions of the District's agreements with its various employee groups, as described below.

Certificated and Management employees with at least 10 years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. The Classified agreement does not specific a minimum age and service for retirement; for purposes of this valuation, we have assumed that Classified will be subject to the same provisions as the other groups. The District contribution each year is set equal to the Blue Shield HMO or Kaiser HMO retiree-only premium plus the retiree-only premium for Delta Dental or Delta Care Dental. For retirees electing PERS Choice or PERS Care, the District contribution is limited to the Kaiser retiree-only premium. The supplemental District contributions end at age 65, at which point retirees may elect to continue coverage for their further lifetime under PEMHCA and receive the statutory minimum District contribution (currently $128.00/month).

Plan membership. At July 1, 2017, membership consisted of the following:

Active plan members	1,399
Inactive employees or beneficiaries currently receiving benefit payments	399
Inactive employees entitled to but not yet receiving benefit payments	-
Total	1,798

NOTE 10— OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Contributions. The District currently finances benefits on a pay-as-you-go basis. The District has a CERBT Strategy 1 OPEB Trust which they made a $1,000,000 contribution to in the 2017-18 fiscal year.

Net OPEB Liability
The District's Net OPEB Liability was measured as of June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increase	3.00 percent
Investment rate of return	5.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 percent for 2016; 5.00 percent for 2017 and later years

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

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 5.00 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments	Municipal Bond 20 Year High Grade Rate Index	Discount Rate
July 1, 2017	July 1, 2017	5.00%	3.13%	5.00%
June 30, 2018	June 30, 2018	5.00%	3.62%	5.00%

NOTE 10— OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at fiscal year ending June 30, 2017	$ 40,194,946	$ 4,222,447	$ 35,972,499
Changes Recognized for the Measurement Period:			
Service Cost	2,016,686	-	2,016,686
Interest on the total OPEB liability	1,974,060	-	1,974,060
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	2,445,115	(2,445,115)
Net investment income	-	311,899	(311,899)
Administrative expenses	-	(4,176)	4,176
Benefit payments	(1,445,115)	(1,445,115)	-
Net Changes during July 1,2017 to June 30, 2018	2,545,631	1,307,723	1,237,908
Balance at fiscal year ending June 30, 2018 (Measurement Date)	$ 42,740,577	$ 5,530,170	$ 37,210,407

Sensitivity of the Net OPEB Liability to changes in the discount rate

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

Plan's Net OPEB Liability (Asset)		
Current Discount Rate - 1%	Current Discount Rate	Current Discount Rate + 1%
$ 42,900,082	$ 37,210,407	$ 32,452,888

Sensitivity of the Net OPEB Liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability (Asset)		
Current Trend Rate - 1%	Current Healthcare Cost Trend Rate	Current Trend Rate + 1%
$ 34,628,363	$ 37,210,407	$ 40,344,804

NOTE 10— OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Investments

Investment policy. The allocation of the plan's invested assets is established by CERBT Strategy 1. The objective is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The asset allocations and benchmarks for CERBT Strategy 1 are listed below:

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	57%	+/- 2%	MSCI All Country World Index IMI (net)
Fixed Income	27%	+/- 2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities	5%	+/- 2%	Bloomberg Barclays Barclays US TIPS Index
Real Estate Investment Trusts	8%	+/- 2%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	+/- 2%	
Cash	0%	+/- 2%	91 Day Treasury Bill

CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.

Rate of return. For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 6.61 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Annual money-weighted rate of return, net of investment expense 6.61%

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $3,699,733. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings of investments	$ -	$ 16,710
Total	$ -	$ 16,710

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

Measurement Period Ended June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2019	$ (4,177)
2020	(4,177)
2021	(4,177)
2022	(4,179)
Total	$ (16,710)

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB)

Plan Description

CalSTRS administers a cost sharing multiple-employer other postemployment benefit plan (OPEB), the Medicare Premiums Payment Program (MPP) for all eligible members of the State Teachers' Retirement plan that were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund. CalSTRS issues a publicly available financial report that can be obtained at https://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided

The Medicare Premiums Payment Program (MPP) provides all employees' Medicare Part A premiums and Medicare Part A and B late enrollment surcharges for eligible members of the State Teachers' Retirement plan that were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

Contributions

Since the plan is only for employees retired or receiving a disability allowance prior to July 1, 2012, the plan is funded on a pay-as-you go basis. The premium rates for Medicare A for employees without 30-39 quarters of Medicare employment was $411 from July 1, 2016 to December 31, 2016 and $413 from January 1, 2017 to June 30, 2017. The premium rates for Medicare A for employees with 30-39 quarters of Medicare employment was $226 from July 1, 2016 to December 31, 2016 and $227 from January 1, 2017 to June 30, 2017. Contributions to the OPEB plan from the District were $55,171 for the fiscal year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of $855,922 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school. At June 30, 2017, the District's proportion was 0.0203448%.

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $(92,172). As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 55,171	$ -
Change in assumptions		
Net difference between projected and actual earnings on retirement plan investments	-	18
	$ 55,171	$ 18

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB) (continued)

The $55,171 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal year Ending June 30,	Amount
2019	$ 6
2020	6
2021	6
2022	-
	$ 18

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Discount Rate	3.58%
Investment Rate of Return	3.58%
Mortality Rate	Custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

Mortality rates were based on the RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CALSTRS specific experience through June 30, 2015. For the valuation of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016), issued by the Society of Actuaries.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58 percent. The MPP Program is funded on a pay-as-you-go basis and under this method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB) (continued)

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2017 (Valuation Date June 30, 2016)	$ 952,199	$ 20	$ 952,179
Changes recognized for the measurement period:			
Interest	26,301	-	26,301
Difference between expected and actual experience	(83)	-	(83)
Changes of assumptions	(63,557)	-	(63,557)
Contributions - employer	-	59,238	(59,238)
Net investment income	-	22	(22)
Benefit payments	(58,855)	(58,855)	
Administrative expense	-	(342)	342
Net Changes	(96,194)	63	(96,257)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	$ 856,005	$ 83	$ 855,922

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Net OPEB Liability	$ 947,565	$ 855,922	$ 766,779

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measure period ended June 30, 2017:

	1% Decrease (2.7% Part A and 3.1 Part B)	Current Healthcare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
Net OPEB Liability	$ 773,456	$ 855,922	$ 937,563

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB) (continued)

OPEB Plan Fiduciary Net Position

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer. For more information on the Surplus Money Investment Fund, see https://www.treasurer.ca.gov/pmia-laif/pmia/index.asp.

Payables to the OPEB Plan

At June 30, 2018, the District had no amount outstanding for contributions to the OPEB plan required for the fiscal year ended June 30, 2018.

NOTE 12 – PENSION PLANS

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

As of June 30, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans are as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 118,214,471	$ 44,464,841	$ 9,212,784	$ 10,326,443
CalPERS	54,968,070	16,755,493	896,115	9,703,636
Total	$ 173,182,541	$ 61,220,334	$ 10,108,899	$ 20,030,079

California State Teacher's Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – All qualified California full-time and part-time public-school teachers from pre-kindergarten through community college and certain other employees of the public-school system are eligible to participate in the CalSTRS Pension Plans, multiple-employer, cost-sharing defined benefit plans administered by the California State Teacher's Retirement System (CalSTRS). Benefit provisions under the Plans are established by the Teachers' Retirement Law (California Education Code Section 22000 et seq), as enacted and amended by the California Legislature. The benefit terms of the plans may be amended through legislation CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

Benefits Provided – The CALSTRS Defined Benefit Program has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided (Continued)

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 on survivors/beneficiaries upon death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50.0 percent of final compensation plus 10.0 percent of final compensation for each eligible child, up to a maximum addition of 40.0 percent. The member must have a disability that will exceed a period of 12 or more months to qualify for benefit.

Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit. Other compensation, such as allowances, bonuses, cash in-lieu of fringe benefits, limited–period compensation or compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.
The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contribution rates (Average)	10.250%	9.205%
Required employer contribution rates	14.430%	14.430%
Required state contribution rates	9.328%	9.328%

Specific details for the retirement, disability or death benefit calculations for each of the pension plans are available in the CalSTRS Comprehensive Annual Financial Report (CAFR). The CalSTRS' CAFR is available online at http://www.calstrs.com/comprehensive-annual-financial-report.

Contributions **–** Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the fiscal year ended June 30, 2018, the contributions were as follows:

	CalSTRS
Contribution – employer	$ 9,697,850
Contribution – state	$ 5,687,172

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

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

District's proportionate share of the net pension liability	$ 118,214,471
State's proportionate share of the net pension liability associated with the District	71,711,086
Total	$ 189,925,557

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.12783%, which increased by 0.00360%, its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of $10,326,443. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 437,168	$ 2,062,210
Changes of assumptions	21,900,005	-
Changes in proportions	4,921,729	4,003,097
Net difference between projected and actual earning on pension plan investments	-	3,147,477
Differences between District contributions and proportionate share of contributions	7,508,089	-
District contributions subsequent to the measurement date	9,697,850	-
Total	$ 44,464,841	$ 9,212,784

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

$9,697,850 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the Expected Average Remaining Service Life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years. The remaining amount will be recognized to pension expense as follows:

Fiscal Year Ended June 30	Amount
2019	$ 2,231,884
2020	6,830,322
2021	5,135,020
2022	2,052,095
2023	4,447,100
Thereafter	4,857,786
Total	$ 25,554,207

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Investment Rate of Return	7.25%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2% simple for DB (Annually) Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. In February 2017, the CalSTRS retirement board changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 Experience Analysis. The projection scale was set to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. For further details, see CalSTRS July 1, 2010 – June 30, 2015 Experience Analysis on the CalSTRS website.

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building- block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

	CalSTRS	
Asset Class	**Strategic Allocation**	**Long Term Expected Real Rate of Return***
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return	9%	2.90%
Inflations Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*10 year geometric average

Change of Assumptions – In February, 2017, the CalSTRS' Retirement Board voted to change the actuarial assumptions and various economic factors based on the CalSTRS Experience Analysis spanning July 1, 2010 through June 30, 2015. The discount rate was lowered from 7.60% to 7.10%, consumer price inflation rate was lowered from 3.00% to 2.75% and the age growth assumption decreased from 3.75% to 3.50%. These changes were made for the June 30, 2017 actuarial.

Discount Rate **–** The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS 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.

NOTE 12— PENSION PLANS (continued)

California State Teacher's Retirement System (CalSTRS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Sensitivity of the 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, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.10%
Net Pension Liability	$	173,576,374
Current Discount Rate		7.10%
Net Pension Liability	$	118,214,471
1% Increase		8.10%
Net Pension Liability	$	73,284,536

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalSTRS financial reports.

C. Payable to the Pension Plan

At June 30, 2018, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2018.

D. On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $5,687,172. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Benefits Provided– The CalPERS Defined Benefit Program has two benefit formulas:

CalPERS 2% at 55: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalPERS.

CalPERS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalPERS.

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.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

A family benefit is available if an active member dies and has at least one year of credited service.

Members' accumulated contributions are refundable with interest upon separation from CalPERS. The board determines the credited interest rate each fiscal year. For the fiscal year ended June 30, 2018, the rate of interest credited to members' accounts was 6 percent.

The member's benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalPERS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

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

	CalPERS	
	Before	On or After
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	7.000%	6.500%
Required employer contribution rates	15.531%	15.531%

Specific details for retirement, disability or death benefit calculations for each of the pension plans are available in the CalPERS' Comprehensive Annual Financial Report (CAFR). The CalPERS' CAFR is available online at https://www.calpers.ca.gov/page/forms-publications.

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

A. General Information About the Pension Plan (continued)

Contributions – Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate of employees.

For the fiscal year ended June 30, 2018, the contributions were as follows:

Contribution - employer	$ 4,789,203

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liability for its proportionate shares of the net pension liability in the amount of $54,968,070.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.2303%, which decreased by 0.0007% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of $9,703,636. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,969,280	$ -
Changes of assumptions	8,028,951	647,181
Changes in proportions	66,540	32,705
Net difference between projected and actual earning on pension plan investments	1,901,519	-
Differences between District contributions and proportionate share of contributions	-	216,229
District contributions subsequent to the measurement date	4,789,203	-
Total	$ 16,755,493	$ 896,115

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

$4,789,203 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2017 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2019	$ 3,084,042
2020	5,290,408
2021	3,736,998
2022	(1,041,273)
Total	$ 11,070,175

Actuarial Assumptions **–** The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Post-retirement Benefit Increases	2% until PPPA floor on purchasing power applies, 2.75% thereafter

Change of Assumption - In December 2016, as part of the Asset Liability Management (ALM) review cycle, the CalPERS Board approved to lower the financial reporting discount for PERF B from 7.65% to 7.15%

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF B), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Base on the testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF B. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed February 2022. Any changes to the discount rate will require Board action and proper stockholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2021-22 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectation's as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates are net of administrative expenses.

	CalPERS		
Asset Class	**Strategic Allocation**	**Real Return Years 1-10****	**Real Return Years 11+*****
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure & Forestland	3%	3.90%	5.36%
Cash/Liquidity	2%	-0.40%	-0.90%
	100%		

**Expected inflation of 2.5%

***Expected inflation of 3.0%

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the DiscountRate – The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	$	80,875,641
Current Discount Rate		7.15%
Net Pension Liability	$	54,968,070
1% Increase		8.15%
Net Pension Liability	$	33,475,565

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

C. Payable to the Pension Plan

At June 30, 2018, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2018.

NOTE 13— COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

NOTE 13— COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects as follows:

	Construction Commitment
Capital Projects	
Measure BB	$ 62,926,567
Measure ES	30,989,904
Total	$ 93,916,471

D. Return of ERAF Property Tax Revenue

For the 2017-18 fiscal year, the Los Angeles County Office of Education (LACOE) has verbally informed the District of a potential to return ERAF property tax revenue for approximately $8.6 million dollars.

As the District is a Basic Aid District in 2017-18, the claim supported by California Revenue & Taxation Code 97.2(D)(2) which states that a portion of ERAF funds are unallowable to Basic Aid Districts:

97.2(D)(2): The auditor shall, based on information provided by the county superintendent of schools pursuant to this paragraph, allocate the proportion of the Educational Revenue Augmentation Fund to those school districts and county offices of education within the county that are not excess tax school entities, as defined in subdivision (n) of Section 95. The county superintendent of schools shall determine the amount to be allocated to each school district and county office of education in inverse proportion to the amounts of property tax revenue per average daily attendance in each school district and county office of education. In no event shall any additional money be allocated from the fund to a school district or county office of education upon that school district or county office of education becoming an excess tax school entity.

http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=RTC&sectionNum=97.2.

As the District is concerned with this claim, we are contracting with School Services of California to validate LACOE's calculation as well as the original request from the Los Angeles County Auditor-Controller.
The District believes that it was the responsibility of LACOE to monitor and validate the original ERAF calculation from the Los Angeles County Auditor-Controller; additionally, LACOE informed the District of this potential return of property tax revenue as this Audit Report for June 30, 2018 was being finalized and published.

NOTE 14— PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of three joint powers authorities (JPAs). The first is the Alliance of Schools for Cooperative Insurance Programs (ASCIP) to provide property and liability insurance coverage, the next is the Schools Excess Liability Fund (SELF) to provide excess property and liability insurance coverage, and the final is the Schools Linked for Insurance Management (SLIM) to provide workers' compensation insurance coverage. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

NOTE 15— DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Refunded Debt
Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was $17,718,625.

NOTE 16 – RESTATEMENT

The District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, during fiscal year 2018. The cumulative effect of applying GASB No. 75 has resulted in decrease to the net position at July 1, 2017 as follows:

	Governmental Activities
Net Position (Deficit) at July 1, 2017	$ 42,967,182
Deferred Ouflows of Resources Relate to OPEB	59,238
Net OPEB Obligation	(20,832,144)
Net OPEB Obligation - MPP	(952,179)
Net Position (Deficit) at July 1, 2017, as Restated	$ 21,242,097

NOTE 17— SUBSEQUENT EVENT

For the 2017-18 fiscal year, the District did not issue any General Obligation Bonds. However, The Santa Monica-Malibu Unified School District Board of Education approved and authorized the issuance and sale of General Obligation Bonds for Election 2012, Series D for $120,000,000 at their June 28, 2018 Board of Education meeting; funds were wired in the full amount on September 6, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State apportionments	$ 8,433,987	$ 8,433,987	$ 8,434,187	$ 200
Education protection state aid	2,130,414	2,130,414	2,096,214	(34,200)
Local sources	83,635,852	90,778,188	91,816,954	1,038,766
Federal	4,227,280	4,347,416	4,378,540	31,124
Other state	3,015,655	4,772,658	10,358,283	5,585,625
Other local	51,785,761	52,731,479	53,037,594	306,115
Total revenues	153,228,949	163,194,142	170,121,772	6,927,630
Expenditures:				
Certificated salaries	66,202,485	65,745,800	65,715,527	30,273
Classified salaries	29,587,843	31,008,018	30,863,996	144,022
Employee benefits	38,276,015	42,456,598	43,075,617	(619,019)
Books and supplies	5,015,033	3,565,269	3,539,712	25,557
Contracted services and other operating expenditures	14,501,613	16,525,789	16,431,823	93,966
Capital outlay	830,481	2,389,558	1,759,433	630,125
Other outgo	(582,541)	(829,393)	(495,453)	(333,940)
Debt service				
Principal	90,000	51,483	51,510	(27)
Interest	8,000	1,906	1,878	28
Total expenditures	153,928,929	160,915,028	160,944,043	(29,015)
Excess of revenues over (under) expenditures	(699,980)	2,279,114	9,177,729	6,898,615
Other Financing Sources (Uses):				
Transfers out	(1,442,223)	(2,290,830)	(1,600,000)	690,830
Total other financing sources (uses)	(1,442,223)	(2,290,830)	(1,600,000)	690,830
Net change in fund balance	(2,142,203)	(11,716)	7,577,729	7,589,445
Fund balance - beginning	31,220,583	31,220,583	31,220,583	-
Fund balance - ending	$ 29,078,380	$ 31,208,867	$ 38,798,312	$ 7,589,445

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGE IN NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Years*
As of June 30, 2018

Employer Fiscal Year End	2017-18
Measurement Period	2017-18[1]
Total OPEB Liability	
Service Cost	$ 2,016,686
Interest on the Total OPEB Liability	1,974,060
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	(1,445,115)
Net Change in Total OPEB Liability	2,545,631
Total OPEB Liability - Beginning	40,194,946
Total OPEB Liability - Ending	$ 42,740,577
OPEB Fiduciary Net Position	
Contributions from the Employer	$ 2,445,115
Net Investment Income	311,899
Administrative Expenses	(4,176)
Benefit Payments	(1,445,115)
Net Change in Plan Fiduciary Net Position	1,307,723
Plan Fiduciary Net Position - Beginning	4,222,447
Plan Fiduciary Net Position - Ending	$ 5,530,170
Plan Net OPEB Liability - Ending	$ 37,210,407
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.94%
Covered Payroll	$ 98,657,614
Net OPEB Liability as a Percentage of Covered-Employee Payroll	37.72%

[1] Historical information is required only for measurement periods for which GASB 75 is applicable.

Notes to Schedule:

Change of Assumptions: There were no changes of assumption.

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MEDICARE PREMIUM PAYMENT PROGRAM
Last 10 Years*
As of June 30, 2018

Employer Fiscal Year End	June 30, 2018
Measurement Period	June 30, 2017
District's proportion of the net OPEB liability	0.203%
District's proportionate share of the net OPEB liability	$ 855,922
District's covered payroll[1]	N/A
District's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A
Plan's total OPEB liability	$ 420,749,000
Plan's fiduciary net position	$ 41,000
Plan fiduciary net position as a percentage of the total OPEB liability	0.010%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule in future fiscal years until 10 years of information is available

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program, therefore, the covered payroll disclosure is not applicable.

Notes to Schedule:

Change of Assumptions: There have been several changes to the assumptions since the June 30, 2014, valuation. The most significant changes were the reductions in the probabilities of enrollment in the MPP Program, the reduced investment return assumption and an increase in life expectancies.

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
Last 10 Years*
As of June 30, 2018

	2017-18[1]
Actuarially Determine Contribution	$ 3,657,819
Contributions in Relation to the Actuarially Determined Contribution	2,445,115
Contribution Deficiency (Excess)	$ 1,212,704
Cover Payroll During Fiscal Year	$ 98,657,614
Contributions as a Percentage of Covered Employee Payroll	2.48%

[1] GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation. Fiscal year 2018 was the 1st year of implementation, therefore only one fiscal years are shown.

Notes to Schedule:

Valuation Date	July 1, 2017
Funding method	Entry Age Normal Cost, level percent of pay
Discount Rate	5.00%
Inflation	2.75%
Aggregate payroll Increases	3.00%
Mortality rate	Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.
Healthcare Tread Rate	6.00% for 2016; 5.00% for 2017 and later years

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
MEDICARE PREMIUM PAYMENT PROGRAM
Last 10 Years*
As of June 30, 2018

	June 30, 2018	June 30, 2017
Contractually required contribution (actuarially determined)	$ 55,171	$ 59,238
Contribution in relation to the actuarially determined contributions	55,171	59,238
Contribution deficiency (excess)	$ -	$ -
Covered payroll[1]	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program, therefore, the covered payroll disclosure is not applicable.

Notes to Schedule:

Valuation Date	June 30, 2016
Funding method	Entry Age Normal Cost, level percent of pay
Discount Rate	3.58%
Inflation	2.75%
Aggregate payroll Increases	2.75%
Mortality rate	Custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - CALSTRS
Last 10 Fiscal Years*
For the Fiscal Year Ended June 30, 2018

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.128%	0.124%	0.132%	0.126%
District's proportionate share of the net pension liability	$ 118,214,471	$ 100,480,053	$ 88,739,307	$ 73,375,330
State's proportionate share of the net pension liability associated with the District	71,711,086	61,767,308	46,933,185	44,307,192
Total	$ 189,925,557	$ 162,247,361	$ 135,672,492	$ 117,682,522
District's covered payroll	$ 67,800,668	$ 63,504,492	$ 60,268,419	$ 57,309,309
District's proportionate share of the net pension liability as percentage of covered payroll	174.36%	158.23%	147.24%	128.03%
Plan's total pension liability	$ 302,770,146,000	$ 269,994,690,000	$ 259,146,248,000	$ 248,910,844,000
Plan's fiduciary net position	$ 210,289,899,995	$ 189,113,486,995	$ 191,822,335,995	$ 190,474,016,000
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule in future fiscal years until 10 years of information is available

Notes to Schedule:
1) Benefit Changes: In 2015,2016, and 2017 there were no changes to benefits
2) Changes in Assumptions: In 2015,2016, and 2017 there were no changes in assumptions
In 2018, the discount rate was lowered to 7.10%, the growth rate was decreased to 3.50% and inflation was lowered to 2.75%
was lowered to 2.75%.

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - CALPERS
Last 10 Fiscal Years*
For the Fiscal Year Ended June 30, 2018

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.23030%	0.23100%	0.23300%	0.23100%
District's proportionate share of the net pension liability	$ 54,968,070	$ 45,665,948	$ 34,274,607	$ 26,174,060
District's covered payroll	$ 29,392,792	$ 27,759,137	$ 25,758,704	$ 24,305,768
District's proportionate share of the net pension liability as percentage of covered payroll	187.01%	164.51%	133.06%	107.69%
Plan's total pension liability	$ 84,871,025,628	$ 75,663,026,434	$ 71,651,164,353	$ 68,292,799,349
Plan's fiduciary net position	$ 60,998,386,333	$ 55,912,964,588	$ 56,911,065,643	$ 59,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	87.77%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule in future fiscal years until 10 years of information is available

Notes to Schedule:
1) Benefit Changes: In 2015 & 2016 there were no changes to benefits
2) Changes in Assumptions: In 2015 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense. In 2018, the discount rate was lowered to 7.15%.

See notes to required supplementary information

SCHEDULE OF PENSION CONTRIBUTIONS - CALSTRS
Last 10 Fiscal Years*
For the Fiscal Year Ended June 30, 2018

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 9,697,850	$ 8,529,324	$ 6,814,032	$ 5,351,837
Contribution in relation to the actuarially determined contributions	(9,697,850)	(8,529,324)	(6,814,032)	(5,351,837)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 67,206,168	$ 67,800,668	$ 63,504,492	$ 60,268,419
Contributions as a percentage of covered payroll	14.430%	12.580%	10.730%	8.880%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

Notes to Schedule:

Valuation Date	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	Expected value with 33% adjustment to market value
Amortization method	The unfunded actuarial accrued liability is amortized over an open 30 year period as a level percentage of payroll
Discount rate	7.60%
Amortization growth rate	3.75%
Price inflation	3.00%
Salary increases	3.75%
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.
Valuation Date	6/30/2017
Discount rate	7.35%
Amortization growth rate	3.50%
Price inflation	2.75%
Valuation Date	6/30/2018
Discount rate	7.10%

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS - CALPERS
Last 10 Fiscal Years*
For the Fiscal Year Ended June 30, 2018

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 4,789,203	$ 4,082,071	$ 3,288,625	$ 3,032,060
Contribution in relation to the actuarially determined contributions	(4,789,203)	(4,082,071)	(3,288,625)	(3,032,060)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 30,836,411	$ 29,392,792	$ 27,759,137	$ 25,758,704
Contributions as a percentage of covered payroll	15.531%	13.888%	11.847%	11.771%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

Notes to Schedule:

Valuation Date	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll
Discount rate	7.500%
Amortization growth rate	3.75%
Price inflation	3.25%
Salary increases	3.75% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females
Valuation Date	6/30/2015
Discount Rate	7.65%
Valuation Date	6/30/2017
Discount rate	7.375%
Valuation Date	6/30/2018
Discount rate	7.150%

See notes to required supplementary information

NOTE 1- PURPOSE OF SCHEDULES

Budgetary Comparison Schedule
This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Net OPEB Liability and Related Ratios
The schedule presents the beginning balances of the total OPEB liability, the OPEB plan’s fiduciary net position, the Net OPEB liability, the effects during the period, the ending balances of the total OPEB liability, the OPEB plan’s fiduciary net position, and the Net OPEB liability, the covered-employee payroll, and the net OPEB liability as a percentage of covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of the District’s Proportionate Share of the Net OPEB Liability
The schedule presents the District’s proportion (percentage) of the collective net OPEB liability, the employer’s proportionate share (amount) of the collective net OPEB liability, the District’s covered-employee payroll, the District’s proportionate share (amount) of the collective net OPEB liability as a percentage of the total OPEB liability. In the future, as data becomes available, 10 years of information will be presented.

Schedule of OPEB Contributions
The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of the District's Proportionate Share of the Net Pension Liability
The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability. In the future, as data becomes available, 10 years of information will be presented.

Schedule of District Contributions
The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2- EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2018, excess of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

Employee benefits	$619,019
Other outgo	$333,940

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SUPPLEMENTARY INFORMATION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets				
Cash and investments	$ 672,398	$ 915,201	$ 426,034	$ 675,981
Accounts receivable	24,395	738,514	43,517	4,673
Stores inventories	-	-	38,974	-
Total assets	$ 696,793	$ 1,653,715	$ 508,525	$ 680,654
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 32,446	$ 628,252	$ 131,181	$ 111,721
Unearned revenue	-	219,535	-	-
Total liabilities	32,446	847,787	131,181	111,721
Fund balances:				
Nonspendable				
Store inventories	-	-	38,974	-
Restricted				
Adult education	368,106	-	-	-
Child development	-	105,913	-	-
Nutrition	-	-	338,370	-
Capital projects	-	-	-	-
Committed				
Deferred maintenance	-	-	-	568,933
Assigned				
Adult education	296,241	-	-	-
Child development	-	700,015	-	-
Total fund balances	664,347	805,928	377,344	568,933
Total liabilities and fund balances	$ 696,793	$ 1,653,715	$ 508,525	$ 680,654

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
$ 3,396,488	$ 16,155,979	$ 22,242,081
481,309	57,268	1,349,676
-	-	38,974
$ 3,877,797	$ 16,213,247	$ 23,630,731
$ 12,949	$ 571,928	$ 1,488,477
-	-	219,535
12,949	571,928	1,708,012
-	-	38,974
-	-	368,106
-	-	105,913
-	-	338,370
3,864,848	15,641,319	19,506,167
-	-	568,933
-	-	296,241
-	-	700,015
3,864,848	15,641,319	21,922,719
$ 3,877,797	$ 16,213,247	$ 23,630,731

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues:				
Federal	$ 37,623	$ 1,808,333	$ 1,206,627	$ -
Other state	703,790	3,254,959	76,286	-
Other local	18,755	4,487,314	1,243,225	261,521
Total revenues	760,168	9,550,606	2,526,138	261,521
Expenditures:				
Certificated salaries	269,973	3,056,522	-	-
Classified salaries	153,094	2,325,647	1,438,429	-
Employee benefits	158,514	2,439,376	579,108	-
Books and supplies	104,585	105,661	1,250,975	-
Contracted services and other operating expenditures	36,579	842,641	(264,785)	1,060,395
Capital outlay	-	-	-	-
Other outgo	37,452	375,429	157,696	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	760,197	9,145,276	3,161,423	1,060,395
Excess of revenues over (under) expenditures	(29)	405,330	(635,285)	(798,874)
Other Financing Sources (Uses):				
Transfers in	-	-	900,000	700,000
Total other financing sources (uses)	-	-	900,000	700,000
Net change in fund balances	(29)	405,330	264,715	(98,874)
Fund balance - beginning	664,376	400,598	112,629	667,807
Fund balance - ending	$ 664,347	$ 805,928	$ 377,344	$ 568,933

	Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
	$ -	$ -	$ 3,052,583
	-	2,262,996	6,298,031
	1,902,702	11,434,648	19,348,165
	1,902,702	13,697,644	28,698,779
	-	-	3,326,495
	-	-	3,917,170
	-	-	3,176,998
	-	13,130	1,474,351
	295,588	355,803	2,326,221
	-	5,683,400	5,683,400
	-	-	570,577
	-	1,695,000	1,695,000
	-	168,824	168,824
	295,588	7,916,157	22,339,036
	1,607,114	5,781,487	6,359,743
	-	-	1,600,000
	-	-	1,600,000
	1,607,114	5,781,487	7,959,743
	2,257,734	9,859,832	13,962,976
	$ 3,864,848	$ 15,641,319	$ 21,922,719

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

ORGANIZATION
June 30, 2018

The Santa Monica-Malibu Unified School District (the "District") was established in 1875. The District's boundaries encompass all of the City of Santa Monica and part of the Los Angeles County from the Ventura County line on the west: the Malibu area to approximately the top of the Santa Monica Mountains on the north. The boundaries exclude those portions of the north section that are included in the Las Virgenes Unified School District and those portions of Pacific Palisades that are included in the Los Angeles Unified School District. There were no changes in the boundaries of the District during the current fiscal year. The District is currently operating ten elementary schools, two middle schools, two high schools, one continuation school, one alternative school, one adult education center, and fifteen child care and development centers.

BOARD OF EDUCATION

MEMBER	OFFICE	TERM EXPIRES
Richard Tahvildaran-Jesswien	President	December, 2018
Jon Kean	Vice President	December, 2020
Oscar de la Torre	Member	December, 2018
Craig Foster	Member	December, 2018
Laurie Lieberman	Member	December, 2018
Maria Leon-Vazquez	Member	December, 2020
Ralph Mechur	Member	December, 2020

SUPERINTENDENT

Ben Drati

ADMINISTRATION

Melody Canady, Assistant Superintendent, Business and Fiscal Services,

Jacqueline Mora, Assistant Superintendent of Educational Services

Mark Kelly, Assistant Superintendent of Human Resources

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
For Fiscal Year Ended June 30, 2018

	Second Period Report	Revised Second Period Report	Annual Report
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	2,897.07	2,898.86	2,902.60
Extended Year Special Education	5.09	5.09	5.09
Special Education - Nonpublic Schools	0.85	0.83	0.81
Extended Year Special Education - Nonpublic Schools	0.03	0.03	0.03
Total TK/K through Third	2,903.04	2,904.81	2,908.53
Fourth through Sixth			
Regular ADA	2,456.17	2,455.99	2,456.99
Extended Year Special Education	6.29	6.29	6.29
Special Education - Nonpublic Schools	1.98	1.88	2.07
Extended Year Special Education - Nonpublic Schools	0.13	0.13	0.13
Total Fourth through Sixth	2,464.57	2,464.29	2,465.48
Seventh and Eighth			
Regular ADA	1,601.96	1,602.10	1,605.68
Extended Year Special Education	2.19	2.19	2.19
Special Education - Nonpublic Schools	5.90	5.98	5.92
Extended Year Special Education - Nonpublic Schools	0.42	0.42	0.42
Total Seventh and Eighth	1,610.47	1,610.69	1,614.21
Ninth through Twelfth			
Regular ADA	3,306.97	3,306.12	3,288.88
Extended Year Special Education	4.32	4.32	4.32
Special Education - Nonpublic Schools	11.49	12.32	11.99
Extended Year Special Education - Nonpublic Schools	0.83	0.83	0.83
Total Ninth through Twelfth	3,323.61	3,323.59	3,306.02
TOTAL SCHOOL DISTRICT	10,301.69	10,303.38	10,294.24

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.

There were no audit findings which resulted in necessary revisions to attendance.

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
For Fiscal Year Ended June 30, 2018

Grades	Ed Code 46207 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	42,450	180	In Compliance
Grade 1	50,400	53,620	180	In Compliance
Grade 2	50,400	53,620	180	In Compliance
Grade 3	50,400	54,540	180	In Compliance
Grade 4	54,000	55,020	180	In Compliance
Grade 5	54,000	55,020	180	In Compliance
Grade 6	54,000	59,100	180	In Compliance
Grade 7	54,000	59,810	180	In Compliance
Grade 8	54,000	59,810	180	In Compliance
Grade 9	64,800	65,160	180	In Compliance
Grade 10	64,800	65,160	180	In Compliance
Grade 11	64,800	65,160	180	In Compliance
Grade 12	64,800	65,160	180	In Compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District met or exceeded its targeted funding.

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For Fiscal Year Ended June 30, 2018

	(Budget) 2019	2018	2017	2016
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	$ 162,633,791	$ 170,121,772	$ 151,639,294	$ 147,277,469
Expenditures And Other Financing Uses	163,596,842	162,544,043	158,226,132	144,944,517
Net Change in Fund Balance	$ (963,051)	$ 7,577,729	$ (6,586,838)	$ 2,332,952
Ending Fund Balance	$ 37,835,261	$ 38,798,312	$ 31,220,583	$ 37,807,421
Available Reserves*	$ 10,287,740	$ 7,464,493	$ 4,746,784	$ 4,348,336
Available Reserves As A Percentage of Outgo	6.29%	4.59%	3.00%	3.00%
Long-term Debt	$ 608,194,965	$ 638,341,301	$ 613,829,709	$ 537,926,459
Average Daily Attendance At P-2	9,856	10,303	10,476	10,705

The General Fund fund balance has increased by $990,891 over the past two fiscal years. The fiscal year 2018-19 budget projects a decrease of $963,051. For a District this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three fiscal years but anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by $100,414,842 over the past two fiscal years.

Average daily attendance (ADA) has decreased by 402 over the past two fiscal years. A decrease of 447 ADA is anticipated during the 2018-19 fiscal year.

*Available reserves consist of all unassigned fund balance within the General fund.

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A			
Title I, Part A, Basic School Support	84.010	14416	$ 994,550
Title I, Part G, Advanced Placement Test Fee Reimbursement Program	84.330	14831	3,804
Adult Education			
Adult Education: Basic Education & ESL	84.002A	14508	26,565
Adult Education: Adult Secondary Education	84.002A	13978	11,058
Subtotal Adult Education			37,623
Title II, Part A, Teacher Quality	84.367	14341	200,178
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	107,803
Title III, Immigrant Education Program	84.365	15146	(761)
Subtotal Title III			107,042
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Private School ISPs	84.027	10115	75,004
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,044,295
Part B, Preschool Grants	84.173	13430	59,385
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	162,096
Subtotal Special Education Cluster			2,340,780
IDEA Early Intervention Grants	84.181	23761	59,099
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131	84.048	14893	51,634
Total U. S. Department of Education			3,794,710
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program Basic **[1]**	10.553	13390	3,202
School Breakfast Program Needy **[1]**	10.553	13526	156,897
National School Lunch Program **[1]**	10.555	13391	892,460
Subtotal Child Nutrition Cluster			1,052,559
USDA Commodities	10.565	*	154,068
Child and Adult Food Programs	10.578	13393	228,231
Total U. S. Department of Agriculture			1,434,858
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medicaid			
Medi-Cal Billing Option	93.778	10013	337,710
Medi-Cal Administrative Activities	93.778	10060	283,743
Subtotal Medicaid			621,453
Passed through California Department of Education:			
Head Start **[1] [2]**	93.600	10016	1,579,882
Head Start Training and Technical Review **[1] [2]**	93.600	10016	220
Total U. S. Department of Health & Human Services			2,201,555
Total Federal Expenditures			$ 7,431,123

[1] - Major Program
[2] - In-Kind Contribution - $618,254
***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUALS WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2018

	General Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
June 30, 2018, unaudited actual fund balances	$ 38,798,312	$ 664,347	$ 805,928	$ 377,344
June 30, 2018, audited financial statements fund balances	$ 38,798,312	$ 664,347	$ 805,928	$ 377,344

	Bond Interest and Redemption Fund
June 30, 2018, unaudited actual fund balances/net position	$ 42,183,382
June 30, 2018, audited financial statements fund balances/net position	$ 42,183,382

This schedule provides the information necessary to reconcile the fund balances/net position of all funds on the unaudited actual to the audited financial statements.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay
$ 568,933	$ 58,773,234	$ 3,864,848	$ 15,641,319
$ 568,933	$ 58,773,234	$ 3,864,848	$ 15,641,319

NOTE 1 – PURPOSE OF SCHEDULES

Organization Structure
This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) 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 apportionment of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels in different programs.

Schedule of Instructional Time
This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208.

Schedule of Financial Trends and Analysis
This schedule discloses the District's financial trends by displaying the past fiscal years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as an ongoing concern for a reasonable period of time.

Schedule of Expenditures of Federal Awards
The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Santa Monica-Malibu Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and, Changes in Fund Balance		$ 9,717,280
Build America Bonds	*	(2,286,157)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 7,431,123

* - *CFDA Number not available or not applicable*

Reconciliation of Unaudited Actuals with Audited Financial Statements
This schedule provides information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

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

Governing Board
Santa Monica-Malibu Unified School District
Santa Monica, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District (the "District"), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2018. Our report includes a reference to other auditors who audited the financial statements of the Santa Monica-Malibu Education Foundation, as described in our report on Santa Monica-Malibu Unified School District's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Santa Monica-Malibu Education Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

We noted certain matters that were reported to management of Santa Monica-Malibu Unified School District in a separate letter dated December 8, 2018.

Purpose of this Report

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 8, 2018

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Santa Monica-Malibu Unified School District
Santa Monica, California

Report on State Compliance

We have audited the Santa Monica-Malibu Unified School District's (the "District") compliance with the types of compliance requirements described in *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations,* Section 19810, that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOL:	
Attendance accounting	
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	No, see below
Continuation education	No, see below

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Description	Procedures Performed
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	Not Applicable
Gann limit calculation	Yes
School accountability report card	Yes
Juvenile court schools	Not Applicable
Middle or early college high schools	Not Applicable
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Apprenticeship, Related and Supplemental Instruction	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After school education and safety program	
After school	Not Applicable
Before school	Not Applicable
General requirements	Not Applicable
Proper expenditures of education protection account funds	Yes
Unduplicated local control funding pupil counts	Yes
Local control and accountability plan	Yes
Independent study-course based	Not Applicable

We did not perform testing of independent study or continuation education because the average daily attendance claimed is below the materiality threshold required for testing.

Opinion on State Compliance

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, not to provide an opinion of all the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim, LLP
Culver City, California
December 8, 2018

The term "not applicable" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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INDPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Governing Board
Santa Monica-Malibu Unified School District
Santa Monica, California

Report on Compliance for Each Major Federal Program

We have audited the Santa Monica-Malibu Unified School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the fiscal year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be material weaknesses. We also did identify deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002, that we consider to be significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 8, 2018

FINDINGS AND RECOMMENDATIONS SECTION

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses		Yes	X	None reported
Noncompliance material to financial statements noted		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified	X	Yes		No
Significant deficiencies identified not considered to be material weaknesses	X	Yes		None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)		Yes	X	No

Identification of major programs

CFDA Number (s)	Name of Federal Program/Cluster
10.553, 10.555	Child Nutrition Cluster
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee:	X	Yes		No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting		Yes	X	No
Type of auditor's report issued on compliance for state programs:	Unmodified			

Section II – Financial Statement Findings
None reported.

Section III – Federal Award Findings and Questioned Costs

2018-001
The District did not have adequate internal controls to ensure compliance with time and effort requirements.
50000

CFDA Number and Title: 10.553 School Breakfast Program, 10.555 National School Lunch Program
Federal Grantor Name: U.S. Department of Agriculture
Federal Award/Contract Number: NA
Pass-through Entity Name: California Department of Education
Pass-through Award/Contract Number: 13390,13391, 13396
Questioned Cost Amount: $0

Description of the Condition:
In fiscal year 2017-2018, the District spent $3,161,423 in its Child Nutrition program. Of the amount spent, Federal reimbursement was $1,052,559. Of the $3,161,423 total amount spent, $2,017,537 was used to pay salaries and benefits. We reviewed payroll transactions to determine whether the District retained adequate time and effort documentation for salaries and benefits charged to federal grants, as required by the granting agency. Depending on the number and type of activities an employee works on, documentation can be a semi-annual certification or monthly personnel activity report, such as a timesheet. Our audit found that the District did not design an effective process to monitor employees whose positions were funded with federal grant funds to ensure all required time and effort documentation were completed and retained. We consider this deficiency in internal controls to be a material weakness.

Cause of Condition
The Program Director position responsible for time and effort documents was not filled by the District until January 2018. The District cannot find the time and effort documentation to support time worked on the program.

Effect of Condition and Questioned Costs
Without proper time and effort documentation, federal grantors cannot be assured salaries and benefits charged to their programs are accurate and valid. The District's noncompliance with grant requirements can jeopardize future federal funding and may require it to return federal funds to the grantor. Our audit found that the District was unable to provide required time and effort documentation for all employees who were fully funded through this program. We verified that these employees worked entirely on the Nutrition program; therefore, we are not questioning costs.

Recommendation
We recommend the District improve its monitoring process to ensure all employees paid through federal grants submit required documentation to support time worked.

District's Response
The District concurs with the finding. Our new Program Director has designed and implemented procedures that will ensure that all employees paid through federal grants submit required documentation to support time worked in compliance with the Standards for Charging Employee Compensation to Federal Grants.

Auditor's Remarks
We appreciate the District's commitment to resolving the issue. We will review the condition during our next audit.

Section III – Federal Award Findings and Questioned Costs (continued)

2018-002
The District did not have adequate internal controls to ensure compliance with eligibility requirements.
50000

CFDA Number and Title: 10.553 School Breakfast Program, 10.555 National School Lunch Program
Federal Grantor Name: U.S. Department of Agriculture
Federal Award/Contract Number: NA
Pass-through Entity Name: California Department of Education
Pass-through Award/Contract Number: 13390,13391, 13396
Questioned Cost Amount: $0

Description of the Condition:
During our test of income verification, we noted 2 out of 10 verifications were incorrectly stated after the applicant submitted income verification. Students were not reported under the correct status.

Cause of Condition
The Program Director position was not filled by the District until January 2018. The District cannot find another personnel to verify the correct status.

Effect of Condition and Questioned Costs
District's aid received from students receiving free or reduced meals may not be correct. The questioned costs are less than $10,000.

Recommendation
We recommend the District establish procedures to ensure that when a change in application status occurs, lunch code within their software is changed in conjunction with this change.

District's Response
The District concurs with the finding. Our new Program Director has designed and implemented procedures that will ensure that when a change in application status occurs, lunch code within the software is changed in conjunction with the change.

Auditor's Remarks
We appreciate the District's commitment to resolving the issue. We will review the condition during our next audit.

Section IV – State Award Findings and Questioned Costs
None reported.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018

Section II – Financial Statement Findings
There were no financial statement findings in the prior fiscal year.

Section III – Federal Award Findings and Questioned Costs
There were no federal award findings in the prior fiscal year.

Section IV – State Award Findings and Questioned Costs
There were no state award findings in the prior fiscal year.

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Governing Board
Santa Monica-Malibu Unified School District
Santa Monica, California

In planning and performing our audit of the financial statements of Santa Monica-Malibu Unified School District, for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 8, 2018 on the government-wide financial statements of the District.

2017-2018 Observation and Recommendation

We recommend the District implement the following:

1. Evaluate projects on a comprehensive basis prior to issuing requests for proposals, qualifications, quotes, or services. The scope of work should not significantly change, otherwise a new request should be generated rather than issuing multiple change orders, which bypass the required detailed selection process.
2. All bids for future projects must be received at the District's office and not received by the consultant. Segregation of duties should be paramount.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 8, 2018

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF SANTA MONICA, THE CITY OF MALIBU, AND THE COUNTY OF LOS ANGELES

*The following information is included only for the purpose of supplying general information regarding the City of Santa Monica ("**Santa Monica**"), the City of Malibu ("**Malibu**") and Los Angeles County (the "**County**"). This information is provided only for general informational purposes, and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of Santa Monica, Malibu, the County, the State of California (the "**State**") or any of its political subdivisions, and none of Santa Monica, Malibu, the County, the State or any of its political subdivisions (other than the District) is liable therefor.*

Santa Monica. Santa Monica is located approximately 16 miles west of the City of Los Angeles. Santa Monica was incorporated in 1886 and encompasses 8 square miles, with a population of over 92,000. Santa Monica's City Council is made up of seven members elected at-large for staggered four-year terms. Every two years, after each election, the City Council selects one of its members to serve as Mayor and another to serve as Mayor Pro Tempore.

Malibu. Malibu is located approximately 45 miles west of the City of Los Angeles. The City was incorporated in 1991 and encompasses 20 square miles, with a population of over 12,000. Malibu's City Council is made up of five-members elected at-large to serve four-year terms, and the Mayor's Office is rotated annually among all councilmembers.

The County. Located along the southern coast of California, the County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The County includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties.

Almost half of the County is mountainous and some 14% is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the County is a semi-dry plateau, the beginning of the vast Mojave Desert.

According to the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the county covered about 1,344 square miles or 27% of the total county. About 16% of the land in the county was devoted to residential use and over two-thirds of the land was open space and vacant.

Population

The table on the following page lists population estimates for Santa Monica, Malibu, the County, and the State as of January 1 each year for the last five calendar years.

CITY OF SANTA MONICA, CITY OF MALIBU, LOS ANGELES COUNTY AND STATE OF CALIFORNIA

Population Estimates Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
City of Santa Monica	91,671	91,729	92,305	93,698	93,593
City of Malibu	12,927	12,935	12,939	13,011	12,046
Los Angeles County	10,149,661	10,180,169	10,231,271	10,254,658	10,253,716
State of California	38,912,464	39,179,627	39,500,973	39,740,508	39,927,315

Source: California Department of Finance, Demographic Research Unit.

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Employment and Industry

The seasonally adjusted unemployment rate in the County remained unchanged over the month to 4.5 percent in July 2019, from a revised 4.5 percent in June 2019 and was below the rate of 4.6 percent one year ago. Civilian employment decreased by 3,000 to 4,872,000 in July 2019, while unemployment declined by 2,000 to 227,000 over the month. The civilian labor force decreased by 5,000 over the month to 5,099,000 in Julyl 2019. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the County was 5.0 percent in July 2019.

The California seasonally adjusted unemployment rate was 4.1 percent in July 2019, 4.2 percent in June 2019, and 4.1 percent a year ago in July 2018. The comparable estimates for the nation were 3.7 percent in July 2019, 3.7 percent in June 2019, and 3.9 percent a year ago.

The table below lists employment by industry group for the County for the past five years for which data is available.

LOS ANGELES-LONG BEACH-GLENDALE MD (LOS ANGELES COUNTY)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2018 Benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force	4,992,600	4,989,800	5,041,400	5,096,500	5,136,300
Employment	4,580,300	4,659,700	4,776,700	4,853,800	4,896,500
Unemployment	412,300	330,100	264,800	242,700	239,800
Unemployment Rate	8.3%	6.6%	5.3%	4.8%	4.7%
Wage and Salary Employment: (1)					
Agriculture	5,200	5,000	5,300	5,700	4,800
Mining and Logging	3,100	2,900	2,400	2,000	1,900
Construction	118,500	126,100	133,900	138,400	146,000
Manufacturing	371,500	368,200	360,800	349,900	343,700
Wholesale Trade	219,600	222,400	222,100	221,500	222,800
Retail Trade	415,700	422,200	424,600	426,100	425,300
Trans., Warehousing, Utilities	169,300	177,600	188,900	198,200	202,800
Information	198,900	207,600	229,400	214,900	217,400
Financial and Insurance	134,500	135,600	138,100	137,500	137,100
Real Estate, Rental & Leasing	76,700	80,000	81,700	84,100	85,900
Professional and Business Services	589,100	591,000	600,100	608,800	620,000
Educational and Health Services	725,000	745,900	772,700	800,600	823,600
Leisure and Hospitality	464,100	486,600	510,000	524,600	534,300
Other Services	150,500	151,000	153,300	155,700	159,700
Federal Government	46,700	47,400	47,700	48,000	47,300
State Government	85,300	87,400	89,900	92,500	91,900
Local Government	424,200	433,700	439,100	445,600	450,400
Total All Industries (2)	4,197,800	4,290,700	4,399,900	4,454,000	4,514,900

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) May not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of September 2019, in alphabetical order.

LOS ANGELES COUNTY
Largest Employers
September 2019

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Health Care Management
American Honda Motor Co Inc	Torrance	Automobile-Manufacturers
Cedar-Sinai Medical Ctr	West Hollywood	Hospitals
Deluxe Digital Media Mgmt Inc	Burbank	Audio-Visual Consultants
JET Propulsion Laboratory	Pasadena	Research Service
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
La County of Education	Downey	Educational Service-Business
LAC & Usc Medical Ctr	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	Government Offices-City/Village & Twp
Longshore Dispatch	Wilmington	Nonclassified Establishments
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Medical Ctr	Los Angeles	Pathologists
Los Angeles Police Dept	Los Angeles	Police Departments
Paramount Special Events	Los Angeles	Motion Picture Producers & Studios
Radford Studio Ctr Inc	Studio City	Government-Operators-Nonresidential Bldg
Security Industry Specialist	Culver City	Security Systems Consultants
Six Flags Magic Mountain	Valencia	Amusement & Theme Parks
Sony Pictures Entertainment	Culver City	Motion Picture Producers & Studios
UCLA Health System	Los Angeles	Physicians & Surgeons
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Ca Los Angeles	Los Angeles	University-College Dept/Facility/Office
Vxi Global Solutions	Los Angeles	Call Centers
Walt Disney Co	Burbank	Motion Picture Producers & Studios
Warner Brothers Studio	Burbank	Television Program Producers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd edition.

Commercial Activity

Summaries of historic taxable sales within Santa Monica, Malibu, and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar year 2018.

Total taxable sales during the first quarter of calendar year 2018 in Santa Monica were reported to be $761,077,651, a 1.20% increase over the total taxable sales of $752,077,752 reported during the first quarter of calendar year 2017.

CITY OF SANTA MONICA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2013 through 2017
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	3,489	$2,309,281	4,860	$3,046,641
2014	3,556	2,369,902	4,902	3,150,659
2015[(1)]	3,512	2,452,622	5,354	3,236,937
2016	3,346	2,457,171	5,153	3,237,178
2017	3,279	2,391,704	5,088	3,225,239

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in Malibu were reported to be $72,109,294 a 6.87% increase over the total taxable sales of $67,472,463 reported during first quarter of calendar year 2017.

CITY OF MALIBU
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2013 through 2017
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	542	$242,856	759	$271,580
2014	571	268,802	807	296,208
2015[(1)]	567[(1)]	267,734	881	296,393
2016	556	283,572	871	313,303
2017	559	292,029	869	320,330

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be $38,453,435,642, a 2.72% increase over the total taxable sales of $37,436,201,532 reported during the first quarter of calendar year 2017.

LOS ANGELES COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2013 through 2017
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	179,370	$99,641,174	263,792	$140,079,708
2014	187,408	104,189,819	272,733	147,446,927
2015(1)	112,657(1)	108,147,021	310,063	151,033,781
2016	196,929	109,997,043	311,295	154,208,333
2017	197,452	113,280,347	313,226	159,259,356

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

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Effective Buying Income

Effective buying income ("**EBI**") is designated by Sales and Marketing Management Magazine as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis.

The following table summarizes the Household Effective Buying Income for Santa Monica, Malibu, the County, the State of California and the United States for the period 2015 through 2019.

CITY OF SANTA MONICA, CITY OF MALIBU,
LOS ANGELES COUNTY, CALIFORNIA AND UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	City of Santa Monica	$3,955,085	$56,169
	City of Malibu	760,793	92,301
	Los Angeles County	214,247,274	46,449
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Santa Monica	$4,415,110	$62,387
	City of Malibu	811,003	96,159
	Los Angeles County	231,719,110	48,950
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Santa Monica	$4,708,891	$65,424
	City of Malibu	821,404	94,284
	Los Angeles County	243,502,324	50,236
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Santa Monica	$5,176,286	$73,156
	City of Malibu	864,163	97,042
	Los Angeles County	261,119,300	54,720
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Santa Monica	$5,445,678	$77,148
	City of Malibu	881,658	99,700
	Los Angeles County	271,483,825	56,831
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Construction Activity

Construction activity in Santa Monica, Malibu, and the County for the past five years for which data is available is shown in the following tables.

CITY OF SANTA MONICA
Total Building Permit Valuations
Calendar Years 2014 through 2018
(valuations in thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$33,684.4	$33,009.1	$57,966.9	$53,399.5	$43,710.6
New Multi-family	14,759.3	4,687.5	3,383.0	29,750.4	54,940.5
Res. Alterations/Additions	40,958.0	55,715.8	85,225.6	60,483.5	86,111.7
Total Residential	89,401.7	93,412.4	146,575.5	143,633.4	184,762.8
New Commercial	556,832.0	134,312.0	46,854.4	300,000.0	17,236.4
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,221.1	6,252.2	2,810.7	1,045.5	25,426.3
Com. Alterations/Additions	556,832.0	118,095.8	71,518.1	178,501.3	195,104.2
Total Nonresidential	1,119,885.1	258,660.0	121,183.2	479,546.8	237,766.9
New Dwelling Units					
Single Family	46	50	35	49	68
Multiple Family	65	18	5	125	150
TOTAL	111	68	40	174	218

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF MALIBU
Total Building Permit Valuations
Calendar Years 2017 through 2018
(valuations in thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$12,193.0	$16,935.0	$18,758.9	$35,883.3	$23,852.0
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	11,195.1	5,358.8	13,199.0	16,634.3	27,506.6
Total Residential	23,388.1	22,293.8	31,957.9	52,517.6	51,358.6
New Commercial	252.0	4,400.0	1,244.0	3,411.0	4,044.9
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	2,135.3	1,800.2	7,587.0	3,677.9	6,732.9
Com. Alterations/Additions	2,276.0	670.0	7,676.0	7,111.0	3,691.9
Total Nonresidential	4,663.3	6,870.2	16,507.0	14,199.9	14,469.7
New Dwelling Units					
Single Family	10	17	9	17	20
Multiple Family	0	0	0	0	0
TOTAL	10	17	9	17	20

Source: Construction Industry Research Board, Building Permit Summary.

LOS ANGELES COUNTY
Total Building Permit Valuations
Calendar Years 2014 through 2018
(valuations in thousands)

	2014	**2015**	**2016**	**2017**	**2018**
Permit Valuation					
New Single-family	$1,744,290.3	$1,897,829.7	$2,162,018.2	$2,352,614.8	$2,277,101.5
New Multi-family	2,290,197.5	2,843,749.2	2,774,294.3	3,257,833.4	3,222,530.3
Res. Alterations/Additions	1,474,930.2	1,641,457.3	1,639,294.3	1,757,904.1	1,941,369.5
Total Residential	5,509,417.9	6,383,036.1	6,575,607.5	7,368,352.3	7,441,001.3
New Commercial	2,229,307.8	1,695,869.8	1,728,443.4	2,196,089.2	2,844,173.0
New Industrial	120,740.5	85,937.1	138,408.6	134,534.3	101,201.3
New Other	1,041,249.8	1,157,838.0	791,078.1	563,679.3	952,347.7
Com. Alterations/Additions	3,266,273.2	2,705,727.5	2,880,916.6	3,143,200.2	2,796,375.3
Total Nonresidential	6,657,571.3	5,645,372.4	2,657,930.1	6,037,503.0	6,694,097.3
New Dwelling Units					
Single Family	4,358	4,487	4,780	5,456	6,070
Multiple Family	14,349	18,405	15,589	17,023	17,152
TOTAL	18,707	22,892	20,369	22,479	23,222

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Education
Santa Monica-Malibu Unified School District
1651 16th Street
Santa Monica, California 90404

OPINION: $_________ Santa Monica-Malibu Unified School District
(Los Angeles County, California)
General Obligation Bonds, Election of 2012, Series E

Members of the Board of Education:

We have acted as bond counsel to the Santa Monica-Malibu Unified School District (the "District") in connection with the issuance by the District of $___________ principal amount of Santa Monica-Malibu Unified School District (Los Angeles County, California) General Obligation Bonds, Election of 2012, Series E, dated the date hereof (the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Education of the District (the "Board") on September 19, 2019 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is a duly created and validly existing school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable upon the District in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of Los Angeles County is required under the laws of the State of California to levy an *ad valorem* tax upon the property in the District subject to taxation by the District, unlimited as to rate or amount, for the payment of principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_________
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2012, Series E

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Santa Monica-Malibu Unified School District (the "District") in connection with the execution and delivery of the captioned bonds (the "Bonds"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Education of the District on September 19, 2019 (the "Bond Resolution"). U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer-Tax Collector of Los Angeles County is initially acting as paying agent for the Bonds (the "Paying Agent").

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently June 30^{th}).

"*Dissemination Agent*" means Isom Advisors, a Division of Urban Futures Inc., or any subsequent third-party dissemination agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer-Tax Collector of Los Angeles County, or any successor thereto.

"*Participating Underwriters*" means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2020 with the report for the 2018-19 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriters.

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

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

(i) State funding received by the District for the last completed fiscal year;

(ii) Average daily attendance of the District for the completed fiscal year;

(iii) Outstanding District indebtedness;

(iv) Summary financial information on revenues, expenditures and fund balances for the District's general fund, reflecting adopted budget for the current fiscal year;

(v) The assessed valuation of taxable property within the District for the current fiscal year;

(vi) Secured tax levy collections and delinquencies within the District for the last completed fiscal year, except to the extent the Teeter Plan, if adopted by Los Angeles County, applies to both the 1% general purpose *ad valorem* property tax levy and to the tax levy for general obligation bonds of the District;

(vii) The twenty largest local taxpayers in the District in terms of their secured assessed valuations for the current fiscal year; and

(viii) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of this Section 4, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

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

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

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

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

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

Section 8. <u>Dissemination Agent</u>. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

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

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

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

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

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

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

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

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

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

Date: ____, 2019

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

By:________________________________
Name: ______________________________
Title:_______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Santa Monica-Malibu Unified School District (the "District")
Name of Bond Issue:	$____________ Santa Monica-Malibu Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2012, Series E
Date of Issuance:	____, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of _________, 2019. The District anticipates that the Annual Report will be filed by _____________.

Dated:____________

DISSEMINATION AGENT

By: ______________________________
Its: ______________________________

cc: Paying Agent and Participating Underwriters

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. "DTC will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G

LOS ANGELES COUNTY INVESTMENT POLICY AND SUMMARY OF INVESTMENT REPORT

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JOSEPH KELLY
TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437, Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and lacountypropertytax.com

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

28 March 19, 2019

CELIA ZAVALA
EXECUTIVE OFFICER

March 19, 2019

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

DELEGATION OF AUTHORITY TO INVEST AND
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR
INVESTMENT POLICY
(ALL DISTRICTS) (3-VOTES)

SUBJECT

Delegation of authority to invest and reinvest County funds and funds of other depositors in the County Treasury to the Treasurer, and adoption of the Treasurer and Tax Collector Investment Policy.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate the authority to the Treasurer to invest and reinvest County funds and funds of other depositors in the County Treasury.

2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions allow the Treasurer to continue to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. On March 20, 2018, pursuant to Government Code Section 27000.1, and subject to Government Code Section 53607, your Board delegated to the Treasurer the annual authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury. Government Code Section 27000.1 states that subsequent to your Board's delegation, the county treasurer shall thereafter assume full responsibility for those transactions until your Board either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607. This action requests renewal of the annual delegation.

Government Code Section 53646 permits your Board to annually approve the Investment Policy. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. These objectives align with those in State law. Each year, my office reviews the Investment Policy to ensure that it aligns with any changes in the Government Code. Based on our analysis, we do not recommend any changes to the Investment Policy. Nevertheless, we have provided the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings in Attachment II.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

FISCAL IMPACT/FINANCING

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to Government Code Section 27000.1, your Board may delegate by ordinance the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer. On January 23, 1996, your Board adopted Ordinance 96-0007 addingLos Angeles County Code Section 2.52.025 which delegated such authority to the Treasurer, subject to annual renewal pursuant to Government Code Section 53607.

Government Code Section 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This Government Code Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

Respectfully submitted,

Joseph Kelly
Treasurer and Tax Collector

JK:NI:JNK:bp

Enclosures

c: Chief Executive Officer
Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Los Angeles County Office of Education
Los Angeles Community College District

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed $500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, and III (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 2.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 36 months’ average total cash and investments, after adjustments, as indicated in Attachment II.

Business Continuity Plan

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread disaster. The BCP includes written guidelines to perform critical Treasury functions, contact information for key personnel, authorized bank representatives and broker/dealers. The plan provides for an offsite location in the event the Treasurer's offices are uninhabitable. The Treasurer's Office implemented its BCP in 2007.

The Treasurer's Office shall perform regularly scheduled BCP exercises at the offsite location. To prepare Treasury staff for emergency processing, staff shall participate in the BCP exercises on a rotating basis.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or his authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.

- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealers Section

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealers with minimum capitalization of $500 million and who meet all five of the below listed criteria:

    1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

    2. Be a member of the Financial Industry Regulatory Authority and;

    3. Be registered with the Securities and Exchange Commission and;

    4. Have been in operation for more than five years; and

5. Have a minimum annual trading volume of $100 billion in money market instruments or $500 billion in United States (U.S.) Treasuries and Agencies.

B. Emerging firms that meet all of the following:

1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

2. Maintain office(s) in California and;

3. Maintain a minimum capitalization of $250,000 and, at the time of application, have a maximum capitalization of no more than $10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

A. Confirmation of daily trade transactions and all open trades in effect at month-end.

B. Response to auditor requests for confirmation of investment transactions.

C. Response to the Internal Controls Branch requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding $100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the U.S. Government, its agencies and instrumentalities

1. Maximum maturity: None.

2. Maximum total par value: None.

3. Maximum par value per issuer: None.

4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment III)

1. Maximum maturity: As limited in Attachment III.

2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.

2. Maximum total par value: 20% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

4. All Asset-Backed securities must be rated in a rating category of "AA" or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

D. Bankers' Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Must be issued by:

   a) National or State-chartered bank, or

   b) Savings association or Federal association, or

   c) Federal or State credit union, or

   d) Federally licensed or State-licensed branch of a foreign bank.

5. Euro CD's:

   a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

   b) Maximum total par value: 10% of the PSI portfolio.

   c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

   d) Limited to London branch of National or State-chartered banks.

6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Notes MUST be issued by:

   a) Corporations organized and operating within the U.S.

   b) Depository institutions licensed by the U.S or any State and operating within the U.S.

5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.

5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:

   a) Specific basis for the benchmark rate.

   b) Specific computation for the benchmark rate.

   c) Specific reset period.

d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer’s current credit rating.

4. Credit: Issuing Corporation - Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

   a) The entity meets the following criteria:

      1) Is organized and operating in the U.S. as a general corporation.

      2) Has total assets in excess of $500 million.

      3) Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by a NRSRO.

   b) The entity meets the following criteria:

      1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.

      2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

      3) Has commercial paper that is rated “A-1”or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by

diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

a) Attained the highest possible rating by not less than two NRSROs.

b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars ($500,000,000).

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California’s Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.

3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

   a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

   b) The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

   c) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

J. Repurchase Agreement

1. Maximum maturity: 30 days.

2. Maximum total par value: $1 billion.

3. Maximum par value per dealer: $500 million.

4. Agreements must be in accordance with approved written master repurchase agreement.

5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.

2. Maximum total par value: $500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Maximum par value per broker: $250 million.

4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.

6. Agreements must be in accordance with approved written master repurchase agreement.

7. Securities eligible to be sold with a simultaneous agreement to repurchase

SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.

11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.

2. Maximum aggregate par value: $100 million.

3. Maximum par value per counterparty: $50 million. Counterparties for Forward

and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated “A” or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.

5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed $100,000 for each occurrence or exceed a total of $250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.

6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.

7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.

8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating.

Further, the counterparty to such an agreement SHALL be rated “A” or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated “A” or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.

2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

4. Agreements SHALL only be made for the purpose of enhancing investment revenue.

5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

O. Supranationals

Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of “AA” or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer’s current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer’s current credit rating.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT 1 a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Investment Type	Maximum Maturity	S&P	Moody's	Fitch	Investment Limit
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$750MM
		A-1/AA	P-1/Aa	F1/AA	$600MM
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (1)	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days

Note: All domestic issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT 1 b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Investment Type	Maximum Maturity	S&P	Moody's	Fitch	Investment Limit
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$600MM
		A-1/AA	P-1/Aa	F1/AA	$450MM
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN) (1)	Corporate: 3 years ABS: 5 years FRN: 5 years (1)	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days

Note: All foreign issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT 1 c.

MINIMUM CREDIT RATING
SUPRANATIONAL ISSUERS

Issuer Rating (1)			Limit (2)
S&P	**Moody's**	**Fitch**	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).
(2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHEMENT 1 d.

MINIMUM CREDIT RATING
COMMERCIAL PAPER

Maximum Maturity	S&P	Moody's	Fitch	Investment Limit
270 days	A-1/AAA A-1/AA A-1/A	P-1/Aaa P-1/Aa P-1/A	F1/AAA F1/AA F1/A	$1.5 Billion $1 Billion $750 MM

Note: The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT II

LIMITATION CALCULATION FOR INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS (Actual $)

Average Investment Balance and Available Cash (1)	$28,964,136,457
Less:	
▪ 50% of Discretionary Deposits (1)	($1,132,949,913.70)
Average Available Balance	$27,831,186,543
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	$20,873,389,908
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	$6,957,796,636
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	$13,915,593,272

(1) 36 Month Average from January 2016 to December 2018.
(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s) or “A-” (Standard and Poor’s or Fitch). The maximum maturity is limited to 30 years.

2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s rating of “MIG-1” or “A2” or a minimum Standard and Poor’s rating of “SP-1” or “A.” Maximum maturity limited to five years.

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of August 31, 2019, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$10.353
Schools and Community Colleges	14.523
Discretionary Participants	2.709
Total	$27.585

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.17%
Discretionary Participants:	
Independent Public Agencies	9.34%
County Bond Proceeds and Repayment Funds	0.49%
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated September 30, 2019, the August 31, 2019, book value of the Treasury Pool was approximately $27.585 billion and the corresponding market value was approximately $27.595 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor’s staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County’s outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of August 31, 2019:

Type of Investment	**% of Pool**
Certificates of Deposit	6.71
U.S. Government and Agency Obligations	66.53
Bankers Acceptances	0.00
Commercial Paper	26.21
Municipal Obligations	0.18
Corporate Notes & Deposit Notes	0.37
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of August 31, 2019, approximately 35% of the investments mature within 60 days, with an average of 552 days to maturity for the entire portfolio.