NEW ISSUE -- FULL BOOK-ENTRY **RATINGS: Moody's: "Aa1"**
S&P: "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 (excluding the September 1, 2021 maturity) 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. Bond Counsel observes that interest on the Bonds maturing on September 1, 2021 (the "Federally Taxable Bonds") is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.

$80,000,000
GENERAL OBLIGATION BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Malibu Schools)
(Los Angeles County, California)
Election of 2018, Series B

Dated: **Date of Delivery** ***Due:*** **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") with respect to its School Facilities Improvement District No. 2 (Malibu Schools) (the "Improvement District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on May 20, 2021 (the "Bond Resolution"). The Bonds were authorized at an election of the registered voters of the Improvement District held on November 6, 2018 (the "Authorization") which authorized the issuance of $195,000,000 principal amount of general obligation bonds to finance the renovation, construction and improvement of school facilities within the Improvement District. The Bonds are the second 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 with respect to the Improvement District payable solely from *ad valorem* property taxes levied and collected within the Improvement District. The Board of Supervisors of Los Angeles County has the power and is obligated to annually levy *ad valorem* property 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) within the Improvement District 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, 2022; except, however, principal of and interest on the Federally Taxable Bonds is payable on September 1, 2021. 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)

This cover page contains 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 July 1, 2021.

RAYMOND JAMES RBC Capital Markets

The date of this Official Statement is June 16, 2021.

MATURITY SCHEDULE

GENERAL OBLIGATION BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT (Malibu Schools)

(Los Angeles County, California)

Election of 2018, Series B

Base CUSIP†: 802498

Maturity Date	Principal Amount	Interest Rate	Yield	Price		CUSIP†
Federally Taxable						
9/1/21	$8,180,000	0.120%	0.120%	100.000		XM2
Tax-Exempt						
8/1/22	$2,560,000	4.000%	0.060%	104.266		XN0
8/1/23	3,000,000	4.000	0.090	108.136		XP5
8/1/24	1,235,000	4.000	0.180	111.740		XQ3
8/1/25	345,000	4.000	0.300	115.004		XR1
8/1/26	445,000	4.000	0.390	118.152		XS9
8/1/27	555,000	4.000	0.510	120.878		XT7
8/1/28	670,000	4.000	0.620	123.387		XU4
8/1/29	795,000	4.000	0.730	125.621		XV2
8/1/30	925,000	4.000	0.810	124.910	C	XW0
8/1/31	1,065,000	4.000	0.880	124.291	C	XX8
8/1/32	1,215,000	4.000	0.940	123.764	C	XY6
8/1/33	1,375,000	4.000	0.990	123.326	C	XZ3
8/1/34	1,545,000	4.000	1.030	122.977	C	YA7
8/1/35	1,725,000	4.000	1.080	122.543	C	YB5
8/1/36	1,920,000	4.000	1.130	122.110	C	YC3
8/1/37	2,125,000	3.000	1.610	110.495	C	YD1
8/1/38	2,320,000	3.000	1.650	110.176	C	YE9
8/1/39	2,525,000	3.000	1.690	109.858	C	YF6
8/1/40	2,740,000	3.000	1.730	109.541	C	YG4
8/1/41	2,970,000	3.000	1.770	109.225	C	YH2
8/1/42	3,210,000	3.000	1.810	108.910	C	YM1

$7,190,000 - 3.000% Term Bonds maturing August 1, 2044; Yield: 1.870%; Price: 108.439 [C]; CUSIP†: YN9

$12,820,000 - 2.250% Term Bonds maturing August 1, 2047; Yield: 2.270%; Price: 99.607; CUSIP†: YP4

$16,545,000 - 4.000% Term Bonds maturing August 1, 2050; Yield: 1.600%; Price: 118.128[C]; CUSIP†: YL3

C: Priced to first par call on August 1, 2029.

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

Jon Kean, *President*
Laurie Lieberman, *Vice President*
Keith Coleman, *Member*
Craig Foster, *Member*
Maria Leon-Vazquez, *Member*
Jennifer Smith, *Member*
Dr. Richard Tahvildaran-Jesswein, *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

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$80,000,000
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Malibu Schools)
(Los Angeles County, California)
Election of 2018, Series B

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery of the General Obligation Bonds of School Facilities Improvement District No. 2 of Santa Monica-Malibu Unified School District (Malibu Schools) (Los Angeles County, California), Election of 2018, Series B, in the principal amount of $80,000,000 (the "**Bonds**"). The Bonds are issued by the Santa Monica-Malibu Unified School District (the **"District"**), Los Angeles County (the **"County"**), State of California (the **"State"**) with respect to its School Facilities Improvement District No. 2 (Malibu Schools) (the **"Improvement District"**).

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 2020-21, the District's enrollment is approximately 9,263 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."

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The Improvement District. The Improvement District was formed on June 14, 2018, by the Board of Education of the District following a public hearing, pursuant to the provisions of Chapter 2 (commencing with Section 15300) of Part 10 of Division 1 of the California Education Code (the "**Act**") and proceedings taken by the District. The Improvement District consists of the geographical portion of the District which is its northern territory, which consist of the City of Malibu and unincorporated portions of the County. The Improvement District has a fiscal year 2020-21 total assessed value of $20,765,176,841, which is approximately 33% of fiscal year 2020-21 District-wide total assessed valuation of $63,036,221,231. See "THE FINANCING PLAN" and "THE BONDS – Authority for Issuance."

Concurrently with formation of the Improvement District, the District formed a separate school facilities improvement district with respect to the norther portion of its territory, relating to the Santa Monica region and Santa Monica schools, known as School Facilities Improvement District No. 1 (Santa Monica Schools) (**"SFID No. 1"**). The Bonds are only secured by property taxes levied and collected in the Improvement District, and not within SFID No. 1.

COVID-19 Statement. The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable with financial and economic impacts that cannot be predicted. As such, investors are cautioned that the District cannot at this time predict the full impacts that the COVID-19 pandemic may have on its enrollment, average daily attendance, operations and finances, property values in the District, and economic activity in the District, the State and the nation, among others. For more disclosure regarding the COVID-19 pandemic, see "SECURITY FOR THE BONDS – Disclosure Relating to COVID-19" herein. See also references to COVID-19 in the sections herein entitled "PROPERTY TAXATION", and in APPENDIX A under the heading "GENERAL DISTRICT INFORMATION" and "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

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 May 20, 2021 (the "**Bond Resolution**"). The Bonds are the second series of bonds issued by the District pursuant to an election held by the District within the Improvement District on November 6, 2018 (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 $195,000,000 (the "**Authorization**"). The net proceeds of the Bonds will be used to finance school facilities of the District located within the Improvement District as approved by District voters at the Bond Election. Series A was issued in 2019 in the principal amount of $35,000,000. Following the issuance of the Bonds, it is expected that $80,000,000 principal amount of the Authorization will remain authorized but unissued. 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* property taxes levied on taxable property located in the Improvement District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* property taxes in the Improvement District for the payment of principal of and interest on, the Bonds upon all property in the Improvement District subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS" herein.

The District can make no representation regarding the effect that the current COVID-19 pandemic may have on the assessed valuation of property within the Improvement District. See "SECURITY FOR THE BONDS – Disclosure Regarding COVID-19."

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 counsel to the Underwriters (**"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 (excluding the September 1, 2021 maturity) (the **"Tax-Exempt 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. Bond Counsel observes that interest on the Bonds maturing on September 1, 2021 (the **"Federally Taxable Bonds"**) is <u>not</u> excluded from gross income for federal income tax purposes. 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."

Changes Since Preliminary Official Statement. The District's Budget for fiscal year 2021-22 was approved by the District Board of Trustees on June 24, 2021. Details of said budget have been included in Appendix A.

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.

END OF INTRODUCTION

THE FINANCING PLAN

The proceeds of the Bonds will be used to finance projects approved by the voters of the Improvement District 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, repair, and modernize outdated Malibu classrooms, science labs, libraries, instructional technology and other school facilities; improve school safety/security systems; shall Santa Monica-Malibu Unified School District's School Facilities Improvement District No. 2 (Malibu Schools) issue $195 million of bonds at legal interest rates, averaging $10.8 million raised annually to repay issued bonds through final maturity, from levies estimated at three cents per $100 of assessed value, with citizens' oversight, annual audits, all funds benefitting Malibu schools?"*

As part of the ballot materials presented to Improvement 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. The District has issued one series of bonds pursuant to the Authorization in the principal amount of $35,000,000, leaving $160,000,000 of authorized but unissued bonds under the Authorization, prior to the issuance of the Bonds described herein.

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.

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 of the Improvement District to issue general obligation bonds in a principal amount of $195,000,000. The Bonds are the second 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, 2022 (each, an "**Interest Payment Date**"); except, however, principal of and interest on the Federally Taxable Bonds is payable on September 1, 2021. 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." Each 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 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 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, 2029 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2030, 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, 2029, 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, 2044, August 1, 2047, and August 1, 2050 (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 applicable tables 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, 2044

Redemption Date (August 1)	Sinking Fund Redemption
2043	$3,460,000
2044 (Maturity)	3,730,000

Term Bonds Maturing August 1, 2047

Redemption Date (August 1)	Sinking Fund Redemption
2045	$4,005,000
2046	4,270,000
2047 (Maturity)	4,545,000

Term Bonds Maturing August 1, 2050

Redemption Date (August 1)	Sinking Fund Redemption
2048	$4,835,000
2049	4,965,000
2050 (Maturity)	6,745,000

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.

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: (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; (b) any obligations the timely payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a); (c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; (d) pre-refunded municipal bonds rated in the highest rating category by any Rating Agency; and (e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and (vi) obligations of the Federal Home Loan Bank (FHLB).

SOURCES AND USES OF FUNDS

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

BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Sources and Uses of Funds

Sources of Funds	
Principal Amount of Bonds	$80,000,000.00
Plus: Net Original Issue Premium	8,459,119.15
Total Sources	**$88,459,119.15**
Uses of Funds	
Deposit to Building Fund	$79,767,500.00
Deposit to Debt Service Fund	8,183,119.15
Costs of Issuance (1)	508,500.00
Total Uses	**$88,459,119.15**

(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 (SFID No. 2), Election of 2018, Series B 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 General Obligation Bonds (SFID No. 2), Election of 2018, Series B 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* property 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).

BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Bond Annual Debt Service Schedule

Period Ending August 1	Principal	Interest	Total Debt Service
2022*	$10,740,000.00	$2,620,756.83	$13,360,756.83
2023	3,000,000.00	2,315,250.00	5,315,250.00
2024	1,235,000.00	2,195,250.00	3,430,250.00
2025	345,000.00	2,145,850.00	2,490,850.00
2026	445,000.00	2,132,050.00	2,577,050.00
2027	555,000.00	2,114,250.00	2,669,250.00
2028	670,000.00	2,092,050.00	2,762,050.00
2029	795,000.00	2,065,250.00	2,860,250.00
2030	925,000.00	2,033,450.00	2,958,450.00
2031	1,065,000.00	1,996,450.00	3,061,450.00
2032	1,215,000.00	1,953,850.00	3,168,850.00
2033	1,375,000.00	1,905,250.00	3,280,250.00
2034	1,545,000.00	1,850,250.00	3,395,250.00
2035	1,725,000.00	1,788,450.00	3,513,450.00
2036	1,920,000.00	1,719,450.00	3,639,450.00
2037	2,125,000.00	1,642,650.00	3,767,650.00
2038	2,320,000.00	1,578,900.00	3,898,900.00
2039	2,525,000.00	1,509,300.00	4,034,300.00
2040	2,740,000.00	1,433,550.00	4,173,550.00
2041	2,970,000.00	1,351,350.00	4,321,350.00
2042	3,210,000.00	1,262,250.00	4,472,250.00
2043	3,460,000.00	1,165,950.00	4,625,950.00
2044	3,730,000.00	1,062,150.00	4,792,150.00
2045	4,005,000.00	950,250.00	4,955,250.00
2046	4,270,000.00	860,137.50	5,130,137.50
2047	4,545,000.00	764,062.50	5,309,062.50
2048	4,835,000.00	661,800.00	5,496,800.00
2049	4,965,000.00	468,400.00	5,433,400.00
2050	6,745,000.00	269,800.00	7,014,800.00
Total	$80,000,000.00	$45,908,406.83	$125,908,406.83

**Includes debt service due September 1, 2021.*

Combined GO Bond Debt Service Table. The Bonds described herein are the second series of bonds to be issued with respect to the Improvement District. It is expected that the District will issue a second series of bonds with respect to SFID No. 1 concurrently with the issuance of the Bonds described herein. The following table sets forth combined annual debt service with respect to the Bonds, bonds issued with respect to SFID No. 1, together with annual debt service for general obligation bonds currently outstanding, on a District-wide basis. The table assumes no optional redemptions. See also Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations - Outstanding General Obligation Bonds."

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)]	Election of 2012 Bonds[(2)]	Outstanding Refunding Bonds[(2)]	Election of 2018 SFID No. 1 Series A Bonds[(3)]	Election of 2018 SFID No. 2 Series A Bonds[(3)]	Election of 2018 SFID No. 1 Series B Bonds[(4)]	The Bonds[(5)]	Aggregate Debt Service
2021	$7,280,000.00	$952,275.00	$10,456,318.75	$17,122,786.93	$18,947,200.00	$6,932,150.00	--	--	$61,690,730.69
2022	7,300,000.00	1,118,875.00	17,483,118.75	17,844,704.46	3,690,000.00	1,137,950.00	$34,006,326.46	$13,360,756.83	95,941,731.51
2023	6,340,000.00	1,292,675.00	14,710,318.75	18,255,905.52	2,998,200.00	906,150.00	14,013,587.50	5,315,250.00	63,832,086.78
2024	--	1,557,500.00	15,345,018.75	18,630,417.06	3,102,600.00	938,150.00	5,988,387.50	3,430,250.00	48,992,323.32
2025	--	1,656,000.00	16,002,818.75	16,141,335.22	3,212,400.00	973,750.00	6,195,987.50	2,490,850.00	46,673,141.48
2026	--	--	16,676,818.75	20,876,404.56	3,327,300.00	1,005,750.00	6,414,387.50	2,577,050.00	50,877,710.82
2027	--	--	17,386,118.75	25,002,571.66	3,442,100.00	1,038,350.00	6,637,787.50	2,669,250.00	56,176,177.92
2028	--	--	18,114,368.75	22,664,800.86	3,561,300.00	1,074,350.00	6,870,587.50	2,762,050.00	55,047,457.12
2029	--	--	18,869,468.75	19,365,049.50	3,684,500.00	1,113,550.00	7,111,987.50	2,860,250.00	53,004,805.76
2030	--	--	18,030,868.75	25,262,648.70	3,816,700.00	1,152,350.00	7,361,187.50	2,958,450.00	58,582,204.96
2031	--	--	18,700,368.75	26,202,187.00	3,951,700.00	1,192,550.00	7,617,387.50	3,061,450.00	60,725,643.26
2032	--	--	18,541,368.75	25,471,418.40	4,089,300.00	1,235,550.00	7,884,787.50	3,168,850.00	60,391,274.66
2033	--	--	19,177,468.75	30,725,555.10	4,230,400.00	1,281,000.00	8,157,387.50	3,280,250.00	66,852,061.36
2034	--	--	19,848,168.75	24,027,844.30	4,380,800.00	1,324,650.00	8,444,387.50	3,395,250.00	61,421,100.56
2035	--	--	20,530,868.75	24,394,058.60	4,530,050.00	1,371,500.00	8,739,587.50	3,513,450.00	63,079,514.86
2036	--	--	20,018,418.75	29,565,190.10	4,693,000.00	1,416,400.00	9,046,987.50	3,639,450.00	68,379,446.36
2037	--	--	9,157,468.75	20,515,494.10	4,854,400.00	1,467,000.00	9,365,387.50	3,767,650.00	49,127,400.36
2038	--	--	9,942,081.25	5,801,559.10	5,022,650.00	1,519,400.00	9,693,587.50	3,898,900.00	35,878,177.86
2039	--	--	3,558,381.25	11,734,985.10	5,198,650.00	1,573,400.00	10,030,387.50	4,034,300.00	36,130,103.86
2040	--	--	3,695,156.25	12,045,086.70	5,382,850.00	1,628,800.00	10,379,587.50	4,173,550.00	37,305,030.46
2041	--	--	4,456,406.25	8,777,653.80	5,569,450.00	1,685,400.00	10,744,787.50	4,321,350.00	35,555,047.56
2042	--	--	4,640,625.00	8,922,755.30	5,767,850.00	1,743,000.00	11,119,387.50	4,472,250.00	36,665,867.80
2043	--	--	--	7,965,556.50	5,967,050.00	1,806,400.00	11,508,837.50	4,625,950.00	31,873,794.00
2044	--	--	--	--	6,176,450.00	1,865,200.00	11,910,137.50	4,792,150.00	24,743,937.50
2045	--	--	--	--	6,395,050.00	1,934,400.00	12,328,937.50	4,955,250.00	25,613,637.50
2046	--	--	--	--	6,616,400.00	1,999,900.00	12,758,537.50	5,130,137.50	26,504,975.00
2047	--	--	--	--	6,846,200.00	2,071,950.00	13,208,287.50	5,309,062.50	27,435,500.00
2048	--	--	--	--	7,088,850.00	2,145,250.00	13,667,400.00	5,496,800.00	28,398,300.00
2049	--	--	--	--	7,333,600.00	2,219,650.00	14,146,195.00	5,433,400.00	29,132,845.00
2050	--	--	--	--	--	--	17,728,270.00	7,014,800.00	24,743,070.00
TOTAL	$20,920,000.00	$6,577,325.00	$315,342,018.75	$437,315,968.57	$153,877,000.00	$47,753,900.00	$313,080,478.96	$125,908,406.83	$1,420,775,098.32

[Footnotes appear on the following page]

(1) Election of 2006 Series B-1 and C-1 were issued as Build America Bonds the interest component of which is partially paid with a federal subsidy payment. Debt service is gross and is not net of the federal subsidy payment.
(2) Principal due on July 1 of each year for outstanding Election of 2006, Series C-1 Bonds, 2015 Refunding and 2016 Refunding Bonds.
(3) SFID No. 1 and SFID No. 2 bonds are only secured by levies and collection of *ad valorem* property taxes within the boundaries of the applicable SFID and not on a District-wide basis.
(4) Concurrently with the issuance of the Bonds described herein, the District is expected to deliver bonds with respect to its SFID No. 1 in the principal amount of $200 million. Pricing is expected on the same date. Debt service will be presented in the Final Official Statement.
(5) The Bonds are secured by property taxes levied and collected solely within the boundaries of the Improvement District.

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SECURITY FOR THE BONDS

Ad Valorem Property 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 Improvement District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the Improvement District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). There are other series of general obligation bonds outstanding of the District. See "THE BONDS - Authority for Issuance," "- Other General Obligation Bond Indebtedness" and "PROPERTY TAXATION - Direct and Overlapping Debt Obligations."

Other Debt Payable from Ad Valorem Property Taxes. There is other debt issued by entities which includes the jurisdiction in the Improvement District, which is payable from *ad valorem* property taxes levied on parcels in the Improvement District. See "PROPERTY TAXATION – Tax Rates" and "- Direct and Overlapping Debt Obligations" below.

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

Ad valorem property taxes securing repayment of the Bonds 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* property 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* property taxes on real property.

Statutory Lien on Ad Valorem Property Tax Revenues*.* Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* property 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* property 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 Improvement District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value." See also below under the heading "Disclosure Relating to the COVID-19."

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* property tax levied and collected by the County in the Improvement District, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt of the County.

Disclosure Relating to COVID-19

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (**"COVID-19"**), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). There has been tremendous volatility in the financial markets in the United States and globally, resulting in the onset of a national and global recession.

Federal Response. The President's declaration of a national emergency on March 13, 2020 made available more than $50 billion in federal resources to combat the spread of the virus. A multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In addition, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

On March 27, 2020, the United States Congress passed a $2 trillion relief package, being the largest stimulus bill in history, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the **"CARES Act"**). The package provided direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, $367 billion for loans to small businesses, a $500 billion fund to assist distressed large businesses, including approximately $30 billion for emergency grants to educational institutions and local educational agencies. This funding allocation included approximately $13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 pandemic.

On April 9, 2020, the Federal Reserve took actions aimed at providing up to $2.3 trillion in loans to support the national economy, including supplying liquidity to participating financial institutions in the Small Business Administration's (**"SBA"**) Paycheck Protection Program (**"PPP"**), purchasing up to $600 billion in loans through the Main Street Lending Program and offering up to $500 billion in lending to states and municipalities.

On April 24, 2020, an additional $484 billion federal aid package was signed, providing additional funding for the PPP, the SBA disaster assistance loans and grant program, hospital grants and funding for a COVID-19 testing program.

On December 27, 2020, the President signed the Coronavirus Response and Relief Supplemental Appropriations Act (the **"CRRSA Act"**), an additional $900 billion federal relief package intended to follow and expand on provisions of the CARES Act. The second largest stimulus bill in history, the measure includes another round of direct stimulus payments to individuals and families, extends unemployment benefits, expands the PPP, and provides approximately $82 billion in supplemental aid to support the educational needs of states, school districts, and institutions of higher education, among other stimulus measures.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the **"ARP Act"**), a $1.9 trillion economic stimulus plan that will provide another round of stimulus checks to individuals and families, extend federal supplemental unemployment benefits, provide more funding for state and local governments, expand subsidies for healthcare insurance, and provide additional funding for COVID-19 testing, vaccination, and treatment, among several other provisions that will affect many industries, businesses, and individuals. With respect to relief for educational agencies, grants of $125.8 billion will be provided to states to support statewide and local funding for elementary and secondary schools and public postsecondary institutions. Funding can be used for a number of education-related expenses, including inspecting and improving school facilities to ensure adequate air quality, providing mental health services, reducing class sizes, implementing social distancing guidelines, and purchasing personal protective equipment. At least 20% of the funding will have to be used to address learning loss, including through summer learning or enrichment, after-school programs, or extended-day or extended-year programs. States that receive the grants cannot reduce their spending levels on education as a proportion of their budgets during fiscal 2022 or 2023, compared with the average level from fiscal 2017 through 2019.

State Response. At the State level, on March 15, 2020, the Governor ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250. On March 16, 2020, the State legislature passed $1.1 billion in general purpose spending authority providing emergency funds to respond to the pandemic. On March 19, 2020, the Governor issued a state-wide blanket shelter-in-place order, ordering all California residents to stay home except for certain essential purposes. The restrictions began to be rolled back in May 2020 in accordance with State and local guidelines.

On August 28, 2020, the Governor released a system entitled "Blueprint for a Safer California" (the **"State Blueprint"**) aimed at reducing the spread of COVID-19. The State Blueprint places the State's 58 counties into four color-coded tiers – purple, red, orange, and yellow, in descending order of severity – generally based on test positivity and adjusted case rate in the county. Each tier imposes restrictions on certain activities to reduce the spread. Tier 1 (Purple) is the most restrictive. Counties can be assigned to a tier any day of the week. The reopening tiers and related restrictions were generally lifted on June 15, 2021, with the aim of bringing the State back to pre-pandemic operations.

On February 23, 2021, the Governor signed legislation providing $7.6 billion in State funding aimed at helping individuals and businesses that were not included in federal aid. It includes sending a $600 rebate to low-income, disabled and undocumented persons when 2020 taxes are filed, $2 billion in grants to help small business, $35 million for food and diaper banks and $400 million in subsidies for childcare providers. It also reverses cuts made last summer to public universities and State courts when the State experienced a record-breaking budget deficit.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the economic impacts and actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain and cannot be predicted. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (http://www.gov.ca.gov) and the California Department of Public Health (https://covid19.ca.gov/). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such website*s.

Impacts of COVID-19 Pandemic on Global and Local Economies Cannot be Predicted; Potential Declines in State and Local Revenues. The COVID-19 public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. A substantial increase in unemployment and a decline in State revenues including derived from personal income tax receipts have occurred. The District cannot predict the short or long term impacts the COVID-19 emergency and the responses of federal, State or local governments thereto, will have on global, State-wide and local economies, which could impact District operations and finances, and local property values. For more detail regarding the State's current budget, and related reports and outlooks, see Appendix A under the heading "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

In addition, the District cannot predict the legislative changes that might result as a result of the COVID-19 pandemic which could impact its operations and finances. In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed an executive order suspending penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. See "PROPERTY TAXATION – Property Tax Collection Procedures – Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes."

Impact of COVID-19 Pandemic on Education. The State's and other local (if any) shelter-in-place orders suspended in-person classroom instruction throughout schools in the

State from March 2020 through the end of the academic year. School districts in the State generally commenced the 2020-21 academic year in accordance with the Governor's order of July 17, 2020 (Pandemic Plan for Learning and Safe Schools) and the State's Blueprint. Under the State's Blueprint, schools located in counties in Tier 2 of the State's Blueprint or lower were permitted to have in-person instruction under certain conditions. In addition, K-6 schools could apply for and be granted a waiver and permitted to conduct in-person education based on satisfying certain required criteria.

On March 13, 2020, the Governor issued Executive Order N-26-20 which established a streamlined process for school closures in response to COVID-19, providing for continued State funding to support distance learning or independent study, subsidized school meals to low-income students, and continuing payment for school district employees, among other measures. In addition, Senate Bill 117 (March 17, 2020) was approved and addressed attendance issues and instructional hour requirements, among other items, and effectively holds school districts harmless from funding losses that could result from these issues under the State's education funding formulas. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally." In addition, federal funding to school districts was made available to most school districts under the CARES Act, the CRRSA Act and the ARP Act.

On December 30, 2020, the Governor announced the Safe Schools for All Plan (**"SSFA Plan"**), a plan aimed at incentivizing schools to offer in-person learning. Some portions of the SSFA Plan went into effect immediately, however on March 4, 2021 the legislature passed and on March 5, 2021 the Governor signed Senate and Assembly Bill 86, reaching an agreement on a school reopening plan, with the stated intent that schools offer in-person instruction to the greatest extent possible during the 2020-21 fiscal year. The plan provides schools with financial incentives totaling $2 billion to offer in-person instruction beginning on April 1 to students with extra needs or requiring special attention and, for students in some grades, depending on what tier their county is in under the State Blueprint. Funding is allocated based on LCFF funding. For districts not offering in-person instruction by April 1, funds decrease by one percent for each instructional day that schools are not open through May 15 (not including scheduled vacation days) and after May 15, eligibility ceases. Funds obtained must primarily be spent on purposes consistent with providing in-person instruction, including COVID-19 testing, cleaning, personal protective equipment, facility needs, staffing costs, and social and mental health supports provided in conjunction with in-person instruction. Districts must continue to offer distance learning options.

Information on the District's response to the COVID-19 pandemic can be found in Appendix A under the heading "DISTRICT GENERAL INFORMATION - District's Response to COVID-19 Pandemic."

Impacts of COVID-19 Emergency Uncertain. The possible impacts that the COVID-19 pandemic might have on the District's finances, programs, credit ratings on its debt obligations, local property values and the economy in general are uncertain at this time. In addition, there may be unknown consequences of the COVID-19 pandemic, which the District is unable to predict.

General Obligation Bonds Secured by* Ad Valorem *Property Tax Revenues. Notwithstanding the impacts the COVID-19 pandemic may have on the economy in the State, the County and the District or on the District's general purpose revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, levied in the District and are not payable from the general fund of the District. The District cannot predict the impacts that the COVID-19 pandemic might have on local property values or tax collections. See “SECURITY FOR THE BONDS – *Ad Valorem* Property Taxes” and “PROPERTY TAXATION – Tax Levies and Delinquencies” herein.

PROPERTY TAXATION

Property Tax Collection Procedures

Generally. In California, property which is subject to *ad valorem* property 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.

Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes. In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 ("**Order N-61-20"**). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 20, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19.

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order, such as Order N-61-20, which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict the impact of Order N-61-20 on property tax revenues in the County or the District, whether future amendments or orders will occur, and what impact, if any, said future amendments or orders could have on the procedures relating to the levy and collection of property taxes, and related interest and penalties.

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 territory included in the Improvement District consists of the geographical portion of the District which is its northern territory, which consist of the City of Malibu and unincorporated portions of the County. The table following shows a recent history of the assessed valuation of taxable property in the District.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2009-10 through 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2009-10	$12,377,753,769	$1,000	$ 44,014,443	$12,421,769,212	--
2010-11	12,472,068,374	0	44,006,557	12,516,074,931	0.8%
2011-12	12,890,420,332	0	43,155,917	12,933,576,249	3.3
2012-13	13,254,653,268	0	82,076,038	13,336,729,306	3.1
2013-14	14,040,482,847	0	83,338,475	14,123,821,322	5.9
2014-15	14,547,080,042	0	99,010,308	14,646,090,350	3.7
2015-16	15,620,434,931	0	101,800,009	15,722,234,940	7.3
2016-17	16,655,491,930	0	95,698,360	16,751,190,290	6.5
2017-18	17,682,653,558	0	113,605,439	17,796,258,997	6.2
2018-19	18,932,058,564	0	109,348,937	19,041,407,501	7.0
2019-20	19,751,723,080	0	116,223,069	19,867,946,149	4.3
2020-21	20,640,427,505	0	124,749,336	20,765,176,841	4.5

*District-wide total assessed value for fiscal year 2020-21 is $63,036,221,231. The Improvement District represents 33% of the District's fiscal year 2020-21 assessed value.
Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. Economic Conditions; Disasters. 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 factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters such as earthquakes, fires, floods and drought. Seismic activity is also a risk in the region where the District is located. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation in late 2016 and early 2017 which resulted in related severe flooding and mudslides in certain regions. As of June 3, 2021, the U.S. Drought Monitor indicates that the State is classified as experiencing mostly extreme to exceptional drought conditions, with the County in the extreme drought category. On May 10, 2021, the Governor declared a drought emergency in 41 of the State's 58 counties, which includes the County, citing above average temperature and dry conditions. The declaration did not impose mandatory consumption cutbacks but could result in the State implementing certain strategies to alleviate problems that arise during a period of drought. In addition, the State has had several severe wildfires in recent years, which have burned thousands of acres and destroyed thousands of homes and structures, including within the District (see following paragraph). Several wildfires have originated in wildlands adjacent to urban areas. The District cannot predict or make any representations regarding the effects that any natural or manmade disasters, including the COVID-19 pandemic (see next paragraph), 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 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. 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. Notwithstanding the damage sustained in the Malibu area due to the Woolsey fire and the related reassessments, the assessed value of property has continued to increase annually.

Global Pandemic/Disease. Currently the world is experiencing a global pandemic as a result of the outbreak of COVID-19 which has resulted in an economic recession that could cause general marked declines in property values. For disclosure relating to the COVID-19 pandemic, see also "SECURITY FOR THE BONDS – Disclosure Relating to COVID-19."

Future Conditions Unknown. The District cannot predict or make any representations regarding the effects that any 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.

Assessed Valuation by Jurisdiction. The following table shows recent assessed valuation of local secured property within the District by jurisdiction.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Assessed Valuations by Jurisdiction
Fiscal Year 2020-21

Jurisdiction:	Assessed Valuation in Improvement District	% of Improvement District	Assessed Valuation of Jurisdiction	% of Jurisdiction in SFID
City of Malibu	$18,526,924,367	89.22%	$18,526,924,367	100.00%
City of Westlake Village	269,912	0.00	$3,849,994,142	0.01%
Unincorporated Los Angeles County	2,237,982,562	10.78	$117,499,724,109	1.90%
Total District	$20,765,176,841	100.00%		
Los Angeles County	$20,765,176,841	100.00%	$1,708,923,809,032	1.22%

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.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2020-21

Non-Residential:	**2020-21 Assessed Valuation (1)**	**% of Total**	**No. of Parcels**	**% of Total**
Commercial	$ 995,234,659	4.82%	138	1.38%
Vacant Commercial	111,402,733	0.54	38	0.38
Industrial	72,307,037	0.35	7	0.07
Vacant Industrial	3,718,629	0.02	9	0.09
Recreational	40,986,534	0.20	21	0.21
Government/Social/Institutional	114,502,576	0.55	28	0.28
Miscellaneous	18,099,966	0.09	55	0.55
Subtotal Non-Residential	$1,356,252,134	6.57%	296	2.95%
Residential:				
Single Family Residence	$16,269,659,344	78.82%	5,663	56.50%
Condominium/Townhouse	956,165,477	4.63	1,076	10.74
Mobile Home Park	69,189,275	0.34	3	0.03
2-4 Residential Units	462,876,253	2.24	171	1.71
5+ Residential Units/Apartments	120,697,072	0.58	32	0.32
Vacant Residential	1,405,587,950	6.81	2,782	27.76
Subtotal Residential	$19,284,175,371	93.43%	9,727	97.05%
Total	$20,640,427,505	100.00%	10,023	100.00%

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

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

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2020-21

	No. of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	5,663	$16,269,659,344	$2,872,975	$1,526,338

2020-21 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $199,999	403	7.116%	7.116%	$ 53,046,503	0.326%	0.326%
$200,000 - $399,999	484	8.547	15.663	139,662,273	0.858	1.184
$400,000 - $599,999	381	6.728	22.391	190,238,420	1.169	2.354
$600,000 - $799,999	369	6.516	28.907	257,437,467	1.582	3.936
$800,000 - $999,999	402	7.099	36.006	360,623,354	2.217	6.153
$1,000,000 - $1,199,999	343	6.057	42.063	378,211,396	2.325	8.477
$1,200,000 - $1,399,999	278	4.909	46.972	359,919,342	2.212	10.689
$1,400,000 - $1,599,999	234	4.132	51.104	350,507,775	2.154	12.844
$1,600,000 - $1,799,999	240	4.238	55.342	408,108,062	2.508	15.352
$1,800,000 - $1,999,999	222	3.920	59.262	420,975,930	2.587	17.940
$2,000,000 - $2,199,999	218	3.850	63.111	457,774,073	2.814	20.753
$2,200,000 - $2,399,999	181	3.196	66.308	415,714,364	2.555	23.309
$2,400,000 - $2,599,999	163	2.878	69.186	407,828,402	2.507	25.815
$2,600,000 - $2,799,999	144	2.543	71.729	387,802,869	2.384	28.199
$2,800,000 - $2,999,999	120	2.119	73.848	346,575,038	2.130	30.329
$3,000,000 - $3,199,999	119	2.101	75.949	368,943,611	2.268	32.597
$3,200,000 - $3,399,999	99	1.748	77.697	326,242,398	2.005	34.602
$3,400,000 - $3,599,999	83	1.466	79.163	289,649,764	1.780	36.382
$3,600,000 - $3,799,999	53	0.936	80.099	195,773,642	1.203	37.586
$3,800,000 - $3,999,999	68	1.201	81.300	265,493,485	1.632	39.217
$4,000,000 and greater	1,059	18.700	100.000	9,889,131,176	60.783	100.000
	5,663	100.000%		$16,269,659,344	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 recent typical tax rates in a typical tax rate area within the Improvement District.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
(TRA 10853[(1)])
Fiscal Years 2016-17 through 2020-21

	2016-17	2017-18	2018-19	2019-20	2020-21
County General Rate	1.000000	1.000000	1.000000	1.000000	1.000000
Santa Monica-Malibu Unified School District	.070057	.073972	.061712	.054556	.046433
Santa Monica-Malibu Unified School District SFID No. 2	-	-	-	.026447	.027993
Santa Monica Community College District	.058862	.068451	.062696	.078829	.078535
Metropolitan Water District	.003500	.003500	.003500	.003500	.003500
Total Tax Rate	1.132419	1.145923	1.127908	1.163332	1.156461

(1) 2020-21 assessed valuation of TRA 10853 is $6,933,094,383 which is 33.39% of the Improvement District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Changes in assessed valuation can impact the tax rates levied on an *ad valorem* basis.

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 an 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 2019-20

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
2019-20	95,294,855.30	2,156,034.94	2.26

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
2019-20	72,437,953.83	1,483,618.64	2.05

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.
(2) General obligation bond debt service levy only. Beginning 2019-20 includes debt service levy for SFID Nos. 1 and 2.
Source: California Municipal Statistics, Inc.

Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster. See “SECURITY FOR THE BONDS – Disclosure Relating to the COVID-19.”

Notwithstanding that the County does not operate a Teeter Plan, the District has participated in an annual program under which it sells its delinquent tax receivables to the California Statewide Delinquent Tax Finance Authority for a premium equal to 10% of the District’s delinquent property taxes. The District has participated in this program every year since 2002, and in the most recent year the premium received by the District under the program was approximately $1,253,000.

Major Taxpayers

The following table shows the 20 largest taxpayers in the Improvement District as determined by local secured assessed valuation. 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.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Largest Fiscal Year 2020-21 Local Secured Taxpayers

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	% of Total (1)
1.	Carbonview Limited LLC	Residential	$ 142,454,582	0.69%
2.	Jamestown Premier Malibu Village LP	Shopping Center	134,507,520	0.65
3.	22310 PCH LLC	Residential	114,444,000	0.55
4.	Malibu Realty LLC	Residential	101,652,898	0.49
5.	27600 PCH LLC	Residential	100,000,000	0.48
6.	22108 PCH LLC	Residential	90,202,678	0.44
7.	Malibu 2018 PCH LP	Residential	88,434,000	0.43
8.	Goldman Sachs Trust Company	Residential	83,885,859	0.41
9.	Lawrence Rudolph	Residential	77,640,048	0.38
10.	KW Malibu Colony LLC	Shopping Center	76,223,817	0.37
11.	Mani MBI DE LLC	Hotel	74,453,120	0.36
12.	Malibu Lamalibu SA	Residential	74,178,438	0.36
13.	2XMD Partners LLC	Residential	73,645,655	0.36
14.	Glimcher Prop. LP	Shopping Center	72,355,784	0.35
15.	HRL Laboratories LLC	Industrial	70,332,809	0.34
16.	Pacific Malibu Dume LLC	Residential	67,110,602	0.33
17.	Point Dume Ltd.	Mobile Home Park	61,458,512	0.30
18.	Wavebreak LLC	Commercial	57,026,147	0.28
19.	Jamie McCourt	Residential	55,518,446	0.27
20.	Keith Dolabson	Residential	54,581,378	0.26
			$1,670,106,293	8.09%

(1) Fiscal year 2020-21 local secured assessed valuation: $20,640,427,505
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. 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.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of June 1, 2021

2020-21 Assessed Valuation: $20,765,176,841

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/21
Metropolitan Water District	0.636%	$ 170,639
Santa Monica Community College District	32.999	198,887,217
Santa Monica-Malibu Unified School District	32.942	183,284,892(1)
Santa Monica-Malibu Unified School District SFID No. 2	**100.**	**29,990,000**
City of Malibu Community Facilities District No. 2006-1	100.	2,955,000
City of Malibu Broad Beach Assessment District and Assessment Districts	100.	7,840,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$423,127,748
OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	1.215%	$ 31,814,863
Los Angeles County Superintendent of Schools Certificates of Participation	1.215	55,469
Santa Monica Community College District Certificates of Participation	32.999	3,383,918
Santa Monica-Malibu Unified School District Certificates of Participation	32.942	9,194,495
City of Malibu Certificates of Participation	100.	64,785,000
City of Westlake Village General Fund Obligations	0.007	1,013
Los Angeles County Sanitation District No. 27 Authority	100.	46,902
TOTAL OVERLAPPING GENERAL FUND DEBT		$109,281,660
COMBINED TOTAL DEBT		$532,409,408 (2)

Ratios to 2020-21 Assessed Valuation:
Direct Debt ($29,990,000) 0.14%
Total Direct and Overlapping Tax and Assessment Debt 2.04%
Combined Total Debt 2.56%

(1) Excludes the Bonds and the bonds to be issued concurrently with the Bonds with respect to SFID No. 1.
(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 - Tax-Exempt Bonds. 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bond 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 Tax-Exempt Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Tax-Exempt Bonds who purchase the Tax-Exempt Bonds after the initial offering of a substantial amount of such maturity. Owners of such Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt 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 Tax-Exempt Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Tax-Exempt Bond (said term being the shorter of the Tax-Exempt 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 Tax-Exempt Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Tax-Exempt Bond is amortized each year over the term to maturity of the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds.

California Tax Status*.* In the 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 Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Tax-Exempt 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 Tax-Exempt Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

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, 2022 with the report for the 2020-21 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 "Aa1," 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 $88,183,119.15 (representing the principal amount of the Bonds of $80,000,000.00, plus net original issue premium of $8,459,119.15 less Underwriters' discount of $276,000.00). 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 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.

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.

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* property 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: /s/ *Melody Canady*
Assistant Superintendent,
Business and Fiscal Services

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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 *property 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 2020-21, the District's enrollment was approximately for 9,975 students and is budgeted for approximately 9,531 students in fiscal year 2021-22.

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 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:

Board Member	Office	Term Expires
Jon Kean	President	December 2024
Laurie Lieberman	Vice President	December 2022
Keith Coleman	Member	December 2022
Craig Foster	Member	December 2022
Maria Leon-Vazquez	Member	December 2024
Jennifer Smith	Member	December 2024
Dr. Richard Tahvildaran-Jesswein	Member	December 2022

In March 2021 recall efforts commenced against four Board members but the petitions were not approved by the County due to insufficient signatures as required by State law. In May 2021 a notice of intention to circulate recall petition was filed with respect to Board Member Lieberman although the notice and subsequent petition, if any, remain subject to County approval and requirements of State law.

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 2021-22 (Budgeted)
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	(1.81)	10,306	(1.62)
2018-19	10,625	(1.67)	10,095	(2.05)
2019-20	10,350	(2.59)	9,841	(2.52)
2020-21*	9,975	(3.62)	9,683	(1.61)
2021-22*	9,531	(4.45)	9,683	0.00

*Estimated Actuals/Budgeted. Decrease in enrollment and ADA attributed to the COVID-19 Pandemic.

Recent declines are attributed to young children not enrolling in school due to the COVID-19 pandemic.

District's Response to COVID-19 pandemic

To reduce the potential for community transmission of COVID-19 and in accordance with all official recommendations, guidelines and mandates, the District closed its facilities with respect to in-person instruction in March 2020. Thereafter, distance learning was implemented, which extended to the 2019-20 academic year.

Currently the District is offering either full-time in person or full-time distance learning mode pursuant to its re-opening plan. Elementary students returned to full-time in person instruction on April 19, 2021, while secondary students return to full-time in person instruction on April 26, 2021, with a week of hybrid instruction starting April 19, 2021. The District will adjust its teaching modes as needed to adjust to all orders and mandates, with guidance from the State and local officials.

The District has receive and/or expects to receive $28 million in combined one-time funds from federal and State sources resulting from the COVID-19 pandemic. The funds received by the District have been spent to date on addressing costs that have arisen due to COVID-19, such as acquiring personal protective equipment, cleaning and sanitizing facilities and technology needs to accommodate distance learning. Some of the expenses of the COVID-19 pandemic have been off-set by not operating sites on a full-time basis, such as reductions in costs relating to substitute teachers, reduced electricity costs and costs relating to transportation and fuel.

Because the District is a Basic Aid District, it does not currently anticipate that a decline in revenues at the State level will have a material impact on its finances, operations or programs. Notwithstanding the foregoing, the timing and potential impacts on local assessed values, if any, cannot be predicted at this time. If there is a material decline in assessed valuations, the District's share of local property tax revenues could also decline. The extent of the impact of the COVID-19 pandemic on education funding cannot be fully predicted. See herein under the heading "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" for information on the State's current and proposed budgets.

With respect to its pension costs, the District cannot currently predict if the COVID-19 pandemic will have a material impact on its required employer contributions which could arise if the unfunded actuarial accrued liabilities of PERS and STRS materially increase. The District maintains reserves for economic uncertainties, which exceed the State's required minimum reserve.

The impacts of the COVID-19 pandemic on global, State-wide and local economies, which could impact District operations and finances, and local property values are unknown and cannot be predicted by the District. See also information in the front half of this Official Statement under the heading "SECURITY FOR THE BONDS - Disclosure Relating to COVID-19 Pandemic."

Employee Relations

In fiscal year 2021-22, the District budgeted for 630.6 certificated, 676.9 classified and 95.6 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, 2021
Service Employees International Union	Classified	June 30, 2021

*Both contracts are currently under renegotiation.
Source: Santa Monica-Malibu Unified School District.

Insurance – Joint Powers Agreements

The District is a member of two joint powers authorities ("**JPAs**"). The first is the Alliance of Schools for Cooperative Insurance Programs to provide property and liability insurance coverage, and the second 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.

During the year ended June 30, 2020, the District made payments of $1,306,548, and $7,610,209 to ASCIP and SLIM, respectively for property and liability and workers' compensation coverage, respectively.

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. No immediate actions were taken by the City of Malibu with respect to the petition at that time.

Subsequent 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.

On April 17, 2021, the City of Malibu presented its petition to the County Office of Education committee that oversees school district reorganization (the **"County Committee on Reorganization"**). After several hours of testimony, the hearing was continued to June 2021.

On June 2, 2021, the County Committee on Reorganization include on its meeting agenda an update from staff on the proposal to reorganize the District. A report was provided but no decisions made or actions taken.

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.

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* property 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, not including any supplemental or concentration grant funding entitlements, for fiscal year 2020-21 are set forth in the following table. Full implementation of LCFF occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Fiscal Year 2020-21 Base Grant* Under LCFF by Grade Span
(Targeted Base Grant)

Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2019-20 Base Grants	$7,702	$7,818	$8,050	$9,329
Statutory COLA (2.31%)	$178	$181	$186	$215
2020-21 Base Grant Before Deficit Factor	$7,880	$7,999	$8,236	$9,544
Deficit Factor Impact	($178)	($181)	($186)	($215)
2020-21 Base Grants After Deficit Factor	$7,702	$7,818	$8,050	$9,329
Grade Span Adjustment Factors	10.4%	--	--	2.6%
Grade Span Adjustment Amounts	$801	--	--	$243
2020-21 Adjusted Base Grants†	$8,503	$7,818	$8,050	$9,572

*Does not include supplemental and concentration grant funding entitlements.
†Reflects 0% cost of living adjustment from fiscal year 2019-20.
Source: The District.

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 2020-21, the District expects approximately $21.339 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, 2020, were prepared by Eide Bailly, LLP, Rancho Cucamonga, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2020 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 2019-20. 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 tables show the audited income and expense statements for the General Fund of the District for the fiscal years 2015-16 through 2019-20. Audited financial statement data for fiscal years 2016-17 through 2018-19 and fiscal year 2019-20 are presented in separate tables on the following pages due to changes in presentation format.

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

Revenues	Audited 2015-16
LCFF	$84,050,735
Federal Revenue	4,743,062
Other State Revenue	13,923,989
Other Local Revenue(1)	44,559,683
Total Revenues	147,277,469
Expenditures	
Instruction	87,814,401
Instruction-Related Activities:	
Instructional Supervisions & Administration	5,626,373
Instructional Library, Media & Technology	1,409,792
School Site Administration	9,162,226
Pupil Services:	
Home-to-School Transportation	1,915,293
Food Services	84,112
All Other Pupil Services	11,482,927
General Administration:	
Centralized Data Processing	1,045,128
All Other General Administration	8,189,390
Plant Services	14,880,423
Facility Acquisition & Maintenance	--
Ancillary Services	734,140
Community Services	1,962,433
Transfers to Other Agencies	--
Debt service:	
Principal	49,106
Interest and Other	4,282
Total Expenditures	144,360,026
Excess (Deficiency) of Revenues Over/(Under) Expenditures	2,917,443
Other Financing Sources (Uses)	
Transfers In	--
Other Sources	--
Transfer outs	(584,491)
Total Other Financing Sources (Uses)	(584,491)
Net Change in Fund Balances	2,332,952
Fund Balances, Beginning of Fiscal Year (July 1)	35,474,469
Fund Balances, End of Fiscal Year (June 30)	$37,807,421

(1) The District has significant local funding sources. See below under the heading "-Revenue Sources - Other Local Revenues."
Source: District Audited Financial Statements.

Due to a format change in the District's audited financial data, information for fiscal years 2016-17 through 2018-19 are presented in the below table.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2016-17 through 2018-19 (Audited) (1)
Santa Monica-Malibu Unified School District

Revenues	**Audited 2016-17**	**Audited 2017-18**	**Audited 2018-19**
LCFF Sources:			
State Apportionments	$8,585,979	$8,434,187	$8,585,957
Education Protection State Aid	2,141,662	2,096,214	2,096,214
Local Sources	80,661,220	91,816,954	85,386,023
Federal	4,748,177	4,378,540	4,381,856
Other State	10,634,237	10,358,283	17,427,783
Other Local (2)	44,868,019	53,037,594	54,827,692
Total Revenues	151,639,294	170,121,772	172,705,525
Expenditures			
Certificated Salaries	66,353,977	65,715,527	66,053,344
Classified Salaries	29,292,786	30,863,996	30,761,323
Employee Benefits	40,192,280	43,075,617	51,326,987
Books and Supplies	5,409,377	3,539,712	6,399,486
Contract Services & Other Operating Exp.	14,914,638	16,431,823	18,662,388
Capital Outlay	891,868	1,759,433	349,532
Other Outgo	(434,179)	(495,453)	(499,646)
Debt Service:			
Principal	50,280	51,510	28,125
Interest	3,108	1,878	673
Total Expenditures	156,674,132	160,944,043	173,082,212
Excess of Revenues Over/(Under) Expenditures	(5,034,838)	9,177,729	(376,687)
Other Financing Sources (Uses)			
Transfers In	--	--	--
Transfers Out	(1,552,000)	(1,600,000)	(2,059,035)
Total Other Financing Sources (Uses)	(1,552,000)	(1,600,000)	(2,059,035)
Net Change in Fund Balance	(6,586,838)	7,577,729	(2,435,722)
Fund Balance, Beginning	37,807,421	31,220,583	38,798,312(3)
Fund Balance, Ending	$31,220,583	$38,798,312(3)	$27,501,458

(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.
Source: District Audited Financial Statements.

Due to a format change in the District's audited financial data, information for fiscal year 2019-20 is presented in the following table.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2019-20 (Audited) (1)
Santa Monica-Malibu Unified School District

Revenues	Audited 2019-20
LCFF Sources:	
State Apportionments	$8,585,921
Education Protection State Aid	2,018,542
Local Sources	90,896,931
Federal	3,824,863
Other State	12,091,562
Other Local (2)	54,091,562
Total Revenues	171,846,742
Expenditures	
Instruction	102,623,536
Instruction-Related Activities:	
Supervision of Instruction	7,631,650
Instructional Library, Media & Technology	1,438,215
School Site Administration	10,057,561
Pupil Services:	
Home-to-School Transportation	2,186,974
Food Services	--
All Other Pupil Services	13,217,478
General Administration:	
Centralized Data Processing	1,645,367
All Other General Administration	9,780,059
Plant Services	16,291,189
Ancillary Services	881,334
Community Services	2,235,981
Other Outgo	16,448
Enterprise Services	267,100
Facility Acquisition & Construction	8,447
Debt service:	
Principal	--
Interest and Other	606,489
Total Expenditures	168,887,828
Excess (Deficiency) of Revenues Over/(Under) Expenditures	2,958,914
Other Financing Sources (Uses)	
Transfers In	--
Other Sources	--
Transfer outs	(2,850,000)
Total Other Financing Sources (Uses)	(2,850,000)
Net Change in Fund Balances	108,914
Fund Balances, Beginning of Fiscal Year (July 1)	29,964,299 (3)
Fund Balances, End of Fiscal Year (June 30)	$30,073,213

(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 2019-20, the beginning balance was required to be restated. See Note 16 of the attached audited financial statement.
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 most recent interim report, the second interim report for fiscal year 2020-21, was certified positive by the Board. The District Board approved the fiscal year 2021-22 Budget at its meeting on June 24, 2021.

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 2020-21 (Estimated Actuals) and Fiscal Year 2021-22 (Adopted Budget). The following table shows the income and expense statements for the District's general fund for fiscal year 2020-21 (Estimated Actuals) and fiscal year 2021-22 (Adopted Budget).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE[(1)]
Fiscal Year 2020-21 (Estimated Actuals)
Fiscal Year 2021-22 (Adopted Budget)
Santa Monica-Malibu Unified School District

Revenues	2020-21 Estimated Actuals	2021-22 Adopted Budget
LCFF	$109,423,168	$108,476,505
Federal Revenues	14,570,022	4,268,000
Other State Revenues	6,716,099	7,424,281
Other Local Revenues[(2)]	46,312,158	51,528,948
Total Revenues	177,021,447	171,697,734
Expenditures		
Certificated Salaries	65,953,683	67,537,872
Classified Salaries	31,603,079	33,341,258
Employee Benefits	42,208,912	47,372,937
Books & Supplies	10,020,616	3,818,438
Contract Services & Operating Exp.	23,189,181	19,706,354
Capital Outlay	392,836	387,975
Other Outgo (Excluding Indirect Costs)	75,000	75,000
Other Outgo – Transfers of Indirect Costs	(322,003)	(802,271)
Total Expenditures	173,121,304	171,437,563
Excess of Revenues Over/(Under) Expenditures	3,900,143	260,171
Other Financing Sources (Uses)		
Operating Transfers In	--	--
Operating Transfers Out	(3,100,000)	(4,365,307)
Other Sources	--	--
Contributions	--	--
Total Other Financing Sources/(Uses)	(3,100,000)	(4,365,307)
Net Change in Fund Balance	800,143	(4,105,136)
Fund Balance, July 1	27,848,825	28,648,968
Fund Balance, June 30	$28,648,968	$24,543,832

(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."
Source: Santa Monica-Malibu Unified School District.

District Reserves The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State's minimum requirements.

Under State law (Education Code Section 42127.01), there are certain restrictions on the amount of reserves that can be maintained by LCFF-funded districts with ADA over 2,500. State law provides that in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds three percent of the combined total of General Fund revenues appropriated for school districts, the school district budget shall not contain a combined assigned or unassigned ending general fund balance that is in excess of ten percent of those funds. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements under certain circumstances.

The District cannot predict if or when the foregoing reserve cap will be triggered, or when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending.

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 2021-22 (Budgeted), not including other sources such as federal and local sources.

ADA AND LCFF/BASIC AID FUNDING TRENDS
Fiscal Years 2013-14 through 2021-22 (Budgeted)
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	10,095	96,068,194
2019-20	9,841	101,501,395
2020-21(2)	9,683	109,423,168
2021-22(2)	9,683	108,476,505

(1) 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.
(2) Estimated Actual/Budgeted.
Source: California Department of Education; Santa Monica-Malibu Unified School District.

Unduplicated Count. The District's unduplicated pupil count for LCFF funding purposes is approximately 31%. The District does not receive funding under LCFF so the unduplicated count does not impact the District's finances.

Possible Impacts of COVID-19. As described herein, the short-term and long-term impact of COVID-19 on the District's attendance, revenues and local property values cannot be predicted. The Bonds described in this Official Statement are secured by *ad valorem* property taxes, and not the District's general fund. See "SECURITY FOR THE BONDS – *Ad Valorem* Property Taxes – Disclosure Relating to COVID-19."

Revenue Sources

The District categorizes its general fund revenues into four sources, being entitlement under LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below. Note that while the District accounts for a significant amount of its funding under the LCFF category, because it is a Basic Aid district, the funding is actually derived from local property taxes which meet and exceed what the District's funding would be under the LCFF.

LCFF Sources. District funding is generally 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. As described herein, Basic Aid districts derive most funding from property taxes which exceed the funding entitlement under the LCFF.

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 Every Student Succeeds, 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 several sources including 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 generate approximately $12.6 million annually 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 received approximately $2.2 million in foundation revenues in fiscal year 2020-21.

City Sales Tax Measures (2010 and 2016): 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. 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 received approximately $12.5 million (combined) in revenues under these measures in fiscal year 2020-21.

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 have provided approximately $9.8 million in revenue in fiscal year 2020-21. The Agreements are set to expire on June 30, 2022, although the Agreements may be renegotiated and extended.

Redevelopment Pass through Revenues. The District receives redevelopment pass-through revenues with respect to the City of Santa Monica Redevelopment Agency with respect to the Earthquake Recovery Redevelopment Project Area which was established in 1994. The District estimates revenues of approximately $20.3 million in fiscal year 2020-21.

District Retirement Systems

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

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Due to the implementation of the Public Employee Pension Reform Act of 2013 (**"PEPRA"**) (see below summary), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the past three and current budgeted fiscal years are set forth in the following table. These contributions represent 100 percent of the required contribution for each year.

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	10,997,978
2019-20	11,507,894
2020-21[1]	10,435,070
2021-22[1]	11,693,467

(1Estimated Actual/Budgeted.
Source: The District.

Prior to fiscal year 2014-15, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. School districts were required to contribute by statute 8.25% of eligible salary expenditures and participants contributed 8% of their respective salaries. However, in September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming contribution rates at that time continued and other actuarial assumptions were realized. This shortfall resulted from the combination of investment losses and insufficient statutory contribution rates. To address this problem, in connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**). AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the **"2014 Liability"**) within 32 years by increasing member, K-14 school district and State contributions to STRS. Under AB 1469, K-14 school districts' contribution rates increased from fiscal year 2014-15 through 2020-21 as shown in the following table, along with a projection for the employer rate for fiscal year 2021-22.

STRS EMPLOYER CONTRIBUTION RATES
Fiscal Years 2014-15 through 2022-23

Fiscal Year	Employer Contribution Rate
2014-15	8.88%
2015-16	10.73
2016-17	12.58
2017-18	14.43
2018-19	16.28
2019-20	17.10(1)
2020-21	16.92(2)
2021-22	15.92(3)
2022-23	18.00(3)

(1) Reduced from 18.13% under AB 1469 to 17.10% due to State supplemental payments to STRS under SB 90 and other State contributions to STRS.
(2). Reduced from 19.10% under AB 1469 to 16.15% due to State supplemental payments to STRS under SB 90 and other State contributions to STRS.
(3) Projected.
Source: AB 1469; STRS.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. 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	5,524,528
2019-20	6,088,175
2020-21(1)	6,327,723
2021-22(1)	7,308,332

(1) Estimated 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 $31.4 billion as of June 30, 2019 (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 subsequent 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 the current and next two fiscal years are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2020-21 through 2022-23(1)

Fiscal Year	Employer Contribution Rate(2)
2020-21	20.700%
2021-22	22.910
2022-23	26.240

(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 2020-21 State Budget and SB 90 and AB 84.

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 13 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"**). The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("**PEMHCA**"), more commonly referred to as PERS Health. The Plan is an agent multi - employer defined benefit plan that is used to provide postemployment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. 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 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.

As of the 2019-20 fiscal year, member of the Plan consists of 460 retirees and beneficiaries currently receiving benefits and 1,316 active plan members. Benefits ate capped at the monthly premium of the least expensive health maintenance organization offered for the retiree only to age 65. At age 65, the District's contribution is reduces to the statutory minimum contribution required under PEMHCA.

Contribution Information. The contribution requirements of Plan members and the District are established and may be amended by the District, the District's bargaining units, and unrepresented groups. The required District contributions are based on projected pay-as-you-go financing requirements. In addition, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to the provisions of the District's agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2020, the District contributed $1,906,398, to the Plan, all of which was used for current premiums.

Irrevocable Trust. The District has established an irrevocable trust to fund its OPEB liability. The balance in the Trust as of June 30, 2020 was approximately $6,073,959 (10.39% of total OPEB liability).

Actuarial Assumptions and Other Inputs. The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019. 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 between June 30, 2019 and June 30, 2020, is shown in the following table:

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	$50,995,517	$5,869,229	45,126,288
Service Cost	2,370,918	--	2,370,918
Interest	2,050,071	--	2,050,071
Employer Contributions	--	1,906,398	(1,906,398)
Net Investment Income	--	209,781	(209,781)
Difference Between Expected and Actual Experience	(3,264,350)	--	(3,264,350)
Changes of Assumptions	8,193,212	--	8,193,212
Benefit payments	(1,906,398)	(1,906,398)	--
Administrative Expenses	--	(5,051)	5,051
Net changes	7,443,453	204,730	7,238,723
Balance at June 30, 2020	$58,438,970	$6,073,959	$52,365,011

Source: District Audit Report.

OPEB Expense. For the year ended June 30, 2020, the District recognized an OPEB expense of $5,369,668.

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.

Existing Debt Obligations

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

Outstanding General Obligation Bonds. The District currently has outstanding general obligation and refunding bonds secured by voter-approved *ad valorem* property 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	06/17/1999	8/1/2023	3.20%-5.38%	$38,000,034.00	$5,986,655.60
2013 Refunding Bonds	02/07/2013	8/1/2028	3.00%-5.00%	45,425,000.00	15,830,000.00
Election 2006, Series D	04/03/2013	7/1/2025	3.50%-5.00%	82,995,327.00	5,760,000.00
Election 2012, Series B	07/07/2015	7/1/2029	5.00%	60,000,000.00	4,515,000.00
2015 Refunding Bonds	12/10/2015	8/1/2034	3.00%-5.00%	47,915,000.00	46,035,000.00
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	1.00%-4.00%	28,190,000.00	26,895,000.00
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	3.00%	660,000.00	660,000.00
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	2.00%-4.00%	52,140,000.00	52,140,000.00
Election 2012, Series C	06/21/2017	7/1/2042	3.125%-5.00%	60,000,000.00	34,050,000.00
Election 2012, Series D	09/06/2018	8/1/2038	3.00%-4.00%	120,000,000.00	70,945,000.00
Election 2012, Series E	11/06/2019	8/1/2036	3.00%-4.00%	115,000,000.00	115,000,000.00
2019 Refunding Bonds	11/06/2019	8/1/2043	1.610%-3.114%	105,915,000.00	103,850,000.00
2020 Refunding Bonds	08/05/2020	7/1/2040	0.301%-2.314%	74,720,000.00	74,720,000.00
DISTRICT-WIDE TOTALS				**$830,960,361.00**	**$556,386,655.60**
SFID GO Bonds					
SFID 1, Election 2018, Series A	10/02/2019	8/1/2049	3.00%-4.00%	$110,000,000.00	$95,635,000.00
SFID 2, Election 2018, Series A	10/02/2019	8/1/2049	3.00%-4.00%	35,000,000.00	29,990,000.00
SFID TOTALS:				**$145,000,000.00**	**$125,625,000.00**

*As of June 1, 2021.

Outstanding Certificates of Participation. The District currently has outstanding certificates of participation (**"COPs"**) undertaken to provide financing and refinancing for various capital projects in the District, which represent interests in lease payment payable by the District and budgeted and appropriated annually from the District's general fund. The 2020 Certificates of Participation summarized below are further secured by a covenant of the District to budget and appropriate certain revenues it derives from redevelopment facilities pass through agreements. 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*
Certificates of Participation, 2001 Series C†	11/29/2001	05/01/2025	5.20%-5.40%	$15,206,501.00	$2,506,162.35
2020 Certificates of Participation (Property Acquisition and Refinancing Project)	12/03/2020	05/01/2042	4.00%	25,720,000.00	$25,405,000.00
TOTALS:				$40,926,501.00	$27,911,162.35

*As of June 1, 2021.
† Partially prepaid on May 1, 2011 with the proceeds of 2010 Refunding Certificates of Participation, Series B (Tax-Exempt) (the "2010 Certificates"). The 2010 Certificates were prepaid in full with the proceeds of the 2020 Certificates summarized in the above table.
Source: The District.

Supplemental Early Retirement Plan

The District offered an early retirement incentive program to employees in 2019. Employees who were eligible to retire from STRS or PERS and were at least 55 years old with at least five years of service to the District by June 30, 2019 were eligible to participate. The District contributed 80 percent of each participant's annual salary for the participant's last fiscal year of employment. There are 86 participants in the plan. The plan runs through June 30, 2024 and the District's payments are $1,014,968 annually.

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 generally 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 exception is for Basic Aid school districts, which derive most of their funding from their share of local property taxes. As previously described herein, the District is a Basic Aid District and as such, is not dependent on the State for most of its education funding.

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 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 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 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. As a result of the COVID-19 pandemic and subsequent economic recession, budget-cutting strategies such as those used in recent years are being used and may continue to be used in the future during a period of budgetary strain.

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.

2020-21 State Budget

Introduction and Background. The Governor signed the fiscal year 2020-21 State Budget (the **"2020-21 State Budget"**) on June 29, 2020. The 2020-21 State Budget notes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment, and further action from the federal government is needed as a result of the crisis. The Governor is pursuing $1 trillion in flexible federal aid to state and local governments across the country, which support will be critical to mitigate the effects of the public health crisis, encourage recovery, and support persons in need.

At the time of the Governor's proposed 2020-21 State Budget in January, the State was projecting a surplus of $5.6 billion. At the time of the May Revision with respect to the 2020-21 State Budget, the State had projected a budget deficit of $54.3 billion. The 2020-21 State Budget includes measures to close the gap and bring the State's resources and spending into balance while preserving reserves for future years.

To reduce the structural deficit in the coming years, the 2020-21 State Budget sustains the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the 2019 Budget Act. In addition, the 2020-21 State Budget accelerates the suspension of most Proposition 56 (2016 tobacco tax measure) tax rate increases to July 1, 2021. Despite these measures, the State forecasts an operating deficit of $8.7 billion in 2021-22, after accounting for reserves.

Closing the Budget Gap. The 2020-21 State Budget uses the following strategies to close the budget gap:

- <u>Reserve Draw Down</u>: Draws down $8.8 billion in reserves, including from the State's Rainy Day Fund ($7.8 billion), the Safety Net Reserve ($450 million), and all of the funds in the Public School System Stabilization Account.

- <u>Triggers</u>: Includes $11.1 billion in funding reductions and deferrals that will be restored if at least $14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between $2 billion and $14 billion, the reductions and deferrals will be partially restored. The trigger includes $6.6 billion in deferred funding for schools.

- <u>Federal Funds</u>: Relies on $10.1 billion in federal funds that provide State general fund relief, including $8.1 billion already received.

- <u>Revenues</u>: Temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to $5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate $4.4 billion in new revenues in the 2020-21 fiscal year.

- Borrowing/Transfers/Deferrals: Relies on $9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. Approximately $900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.

- Other Solutions: Cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues above the May Revision forecast and lower health and human services caseload costs than the May Revision estimated.

General Budget Highlights. Certain highlights of the 2020-21 State Budget are:

Emergency Response: COVID-19 and other emergency response efforts included in the 2020-21 State Budget are:

- Responding to COVID-19: The State expects to receive over $72 billion in federal assistance to State programs, of which unemployment insurance represents about $52 billion of this total. Under the CARES Act, the State received $9.5 billion for various uses including $4.4 billion to mitigate K-14 learning loss. The amount of $5.9 million of General Fund spending for 2020-21 and $4.8 million ongoing is allocated to support the State Department of Health's response to COVID-19.

- Enhancements to Emergency Responses and Preparedness: $117.6 million is allocated to the State Office of Emergency Services to enhance emergency preparedness and response capabilities, including with respect to power outages, earthquakes, wildfires and cybersecurity.

- Forestry and Fire Protection: $90 million is allocated to enhance CAL FIRE's fire protection capabilities, including for wildfire prediction and modeling technology.

Revenue Solutions. Revenue measures which are expected to net $4.3 billion in 2020-21, $3.1 billion in 2021-22 and $1.3 billion in 2022-23, include:

- Certain Tax Measure Extensions. Extending certain tax measures including certain sales tax exemptions through the end of 2022-23, extending the carryover period for film credits from 6 years to 9 years, and extending the current exemption from the minimum tax for first year corporations to first year limited liability corporations, partnerships, and limited liability partnerships.

- Expansion of Earned Income Tax. Expanding the Earned Income Tax Credit to certain taxpayers.

- Changes to Tax Laws and Sales Tax. Changes in tax law including suspending net operating losses for 2020, 2021, and 2022 for medium and large businesses, and limiting certain business incentive tax credits, and with respect to closing the sale tax loss gap, requiring used car dealers to remit sales tax to the Department of Motor Vehicles with registration fees.

Recovery for Small Businesses. The 2020-21 State Budget includes a waiver of the minimum franchise tax for the first year of operation, $100 million budgeted for the State's small business loan program, $25 million to provide capital to enable the origination of more loans in underbanked communities, and adding funding of $758,000 ongoing for positions relating to small business support.

Housing. Up to $500 million is allocated in State tax credits for low-income housing in 2021, under certain conditions. The 2020-21 State Budget provides $331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions, and $8.3 billion across multiple departments and programs to address housing throughout the State.

K-12 Education Funding Summary. For K-12 education funding, the 2020-21 State Budget provides for funding under Proposition 98 of $70.9 billion, which is more than $10 billion below the minimum guarantee contained in the State's 2019-20 budget. For K-12 schools, this results in Proposition 98 per pupil spending of $10,654 in 2020-21, which is a $1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all State, federal, and local sources decreased by approximately $542 per pupil to $16,881.

Efforts to mitigate the impact of the decline in K-12 funding in the 2020-21 State Budget include:

Deferrals: $1.9 billion of LCFF apportionment deferrals in 2019-20, growing to $11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years. The statutory LCFF cost-of-living adjustment is suspended in 2020-21. Of the total deferrals, $5.8 billion will be triggered off in 2020-21 if the federal funding becomes available.

Learning Loss Mitigation: A one-time investment of $5.3 billion ($4.4 billion federal Coronavirus Relief Fund, $539.9 million Proposition 98 General Fund, and $355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures. Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs.

Supplemental Appropriations: In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately $12.4 billion. To accelerate the recovery from this funding reduction, the 2020-21 State Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5% of State general fund revenues per year, up to a cumulative total of $12.4 billion.

Revised PERS and STRS Contributions. To provide local educational agencies with increased fiscal relief, the 2020-21 State Budget redirects $2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the

STRS employer rate from 18.41% to approximately 16.15% in 2020-21 and from 17.9% to 16.02% in 2021-22. The PERS Schools Pool employer contribution rate will be further reduced from 22.67% to 20.7% in 2020-21 and from 24.6% to 22.84% in 2021-22.

Federal Funds. The 2020-21 State Budget appropriates $1.6 billion in federal Elementary and Secondary School Emergency Relief funds that the State was recently awarded. Of this amount, 90% ($1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs. The remaining 10% ($164.7 million) is available for certain COVID-19 related State-level activities, such as providing additional funding for student meals and social services.

Special Education. The 2020-21 State Budget increases special education base rates to $625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides $100 million to increase funding for students with low-incidence disabilities. Additional federal funding received by the State is also allocated to various special education programs.

Average Daily Attendance. To ensure funding stability regardless of the instructional model undertaken in the 2020-21 academic year, the 2020-21 State Budget includes a hold harmless for the average daily attendance used to calculate school funding for all local educational agencies and includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

In addition, the 2020-21 State Budget includes certain employee protection terms to ensure the continuity of employment for essential school staff during the COVID-19 pandemic. As such, the 2020-21 State Budget includes the suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff, and the suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021. The 2020-21 State Budget also includes the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in the 2020-21 fiscal year.

Proposed 2021-22 Budget

2021-22 Budget as Introduced. On January 8, 2021, the Governor submitted his $227.2 billion 2021-22 State Budget proposal (the "**2021-22 Proposed Budget**") to the Legislature. The Governor calls for immediate legislative action to provide rapid relief to individuals, families and small businesses hit hardest by the COVID-19 pandemic, including direct payments to low-income workers, funding for grants to small businesses and small non-profit cultural institutions disproportionately impacted by the pandemic fee relief for small businesses including personal services and restaurants, funds to support and accelerate safe returns to in-person instruction starting in February 2021, and an increase in the State's minimum wage to $14 per hour.

Reflecting an improved economic outlook and a $15 billion revenue surplus since adoption of the 2020-21 State Budget, highlights of the 2021-22 Proposed Budget include:

- $85.8 billion in Proposition 98 funding for K-12 schools and community colleges, including $2 billion to support and accelerate safe returns to in-person instruction, $4.6 billion to help students bounce back from the impacts of the pandemic and $400 million for school-based mental health services. See " K-14 Education Spending" below.

- $372 million to speed up administration of vaccines across all of California's 58 counties and a $14 billion investment in the State's economic recovery, including direct cash supports of $600 to millions of Californians through the Golden State Stimulus, extending new protections and funding to help keep people in their homes and investing in relief grants for small businesses.

- Budget reserves of $34 billion, including $15.6 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies; $450 million in the Safety Net Reserve; $3 billion in the Public School System Stabilization Account; and an estimated $2.9 billion in the State's operating reserve.

- In order to pay down the State's retirement liabilities, the 2021-22 Proposed Budget includes $3 billion in additional payments required by Proposition 2 in 2021-22 and nearly $6.5 billion over the next three years.

K-14 Education Spending. The 2021-22 Proposed Budget's improved revenue estimate results in the highest funding level ever at $85.8 billion for K-12 schools and community college districts under Proposition 98, representing an increased investment of $14.9 billion in K-12 schools and community colleges above the level funded as part of the 2020-21 State Budget. The Proposition 98 funding levels for the 2019-20 and 2020-21 fiscal years increased from 2020-21 State Budget levels by $1.9 billion and $11.9 billion, respectively, due almost exclusively to increased General Fund revenues in all fiscal years. Reflecting changes to Proposition 98 funding levels noted above, total K-12 per-pupil expenditures from all sources are projected to be $18,837 in 2020-21 and $18,000 in 2021-22—the highest levels ever (K-12 Education Spending Per Pupil). The decrease between the years 2020-21 and 2021-22 reflects the significant allocation of one-time federal funds which occurred in fiscal year 2020-21. Ongoing K-12 per-pupil expenditures of Proposition 98 funds are $12,648 in 2021-22, an increase of $1,994 per pupil over the level provided in the 2020-21 State Budget.

The 2021-22 Proposed Budget also includes $4.6 billion in Proposition 98 General Fund revenues for extending learning time, including summer school programs and other strategies to address learning loss related to the pandemic. The 2021-22 Proposed Budget continues to commit $2.3 billion in General Fund one-time funds in recognition of the additional costs schools face as they respond to the pandemic. The 2021-22 Proposed Budget directs a significant portion of additional funding to paying down nearly two-thirds of the funding deferrals implemented in 2020-21 and provides a 3.84% cost-of-living adjustment to the Local Control Funding Formula. The significant growth in capital gains and overall General Fund revenue growth also triggers deposits of roughly $3 billion into the Public School System Stabilization Account, which may result in a statutory cap of 10% on local school district reserves beginning in 2022-23.

Funds to Implement In-Person Learning. The 2021-22 Proposed Budget includes $2 billion of one-time Proposition 98 funding available beginning in February 2021, to augment resources for schools to offer in-person instruction safely. This funding will be available on a per-pupil basis for all county schools, school districts, and charter schools that are open for in-person instruction by specified dates. For schools that continue offering or begin offering in-person instruction for at least all TK-2nd grade students, all students with disabilities, youth in foster care, homeless youth, and students without access to technology or high-speed Internet by February 16, and all 3rd-6th grade students by March 15, base grant amounts will be $450, increasing to more than $700 per pupil for schools with a high enrollment of low-income students, youth in foster care, and English language learners. Schools with later start dates will qualify for a proportionally lower base grant, except those in counties with high rates of community spread. Schools in counties with high rates of community spread will be eligible for the full February grant amount if they open for in-person instruction pursuant to state and local health guidance once their rates of community spread sufficiently decline. Funds may be used for any purpose that supports in-person instruction, including enhancing and expanding COVID-19 testing, purchasing personal protective equipment, improving ventilation and the safety of indoor or outdoor learning spaces, teacher or classified staff salaries for those providing and supporting in-person instruction, and social and mental health support services provided in conjunction with in-person instruction.

Federal Funds. The Budget projects that the State could receive more than $6 billion in Elementary and Secondary Schools Emergency Relief Fund funds and $400 million in Governor's Emergency Education Relief Fund funds.

LCFF Funding. Due to a significant reduction in available revenues, the 2020-21 State Budget did not provide a statutory cost-of-living adjustment for the LCFF in 2020-21. To make up for this, the 2021-22 Proposed Budget funds LCFF in 2021-22 with both the 2020-21 cost-of-living adjustment (2.31%) and the 2021-22 cost-of-living adjustment (1.5%), creating a compounded combined cost-of-living adjustment of 3.84%, and increasing ongoing LCFF funding by $2 billion Proposition 98 General Fund, when adjusted for declining ADA. This increase brings total LCFF funding to $64.5 billion, and funds all local educational agencies at their full LCFF target level.

Deferrals. Pandemic-driven revenue reductions anticipated at the time of the 2020-21 State Budget created the need to defer LCFF apportionments, in the amounts of $1.9 billion in fiscal year 2019-20, growing to more than $11 billion in fiscal year 2020-21. The 2021-22 Proposed Budget pays off the full K-12 deferral in fiscal year 2019-20 and $7.3 billion of the K-12 deferral in fiscal year 2020-21, leaving an ongoing K-12 deferral balance of $3.7 billion in 2021-22. As a result, it is expected that local educational agencies will experience only a few weeks of delay in receiving apportionment in fiscal year 2021-22 (as opposed to ten-month deferrals in 2020-21), impacting only the June 2022 apportionment, which will be delayed into July 2022.

PERS and STRS Contributions. For fiscal year 2021-22, STRS will apply $820 million to reduce the employer contribution rate from 18.1% to approximately 15.92%, and PERS will apply $330 million to reduce the Schools Pool employer contribution rate from 24.9% to 23%.

School Facilities. The 2021-22 Proposed Budget continues to allocate $1.5 billion of Proposition 51 bond funds to support school construction projects, which is more than double the amount allocated in fiscal year 2018-19.

Higher Education. The 2021-22 Proposed Budget proposes a General Fund increase of $786 million for the University of California and the California State University with an expectation that they focus on measurable goals to address equity gaps, further maintain online educational opportunities and expand dual admissions and other innovative strategies that reduce time to degree completion. The 2021-22 Proposed Budget also assumes resident tuition and fees remain flat in 2021-22.

May Revision to 2021-22 Proposed Budget. On May 14, 2021, the Governor released the May Revision to the fiscal year 2021-22 Budget (the **"May Revision"**). The Governor projects in the May Revision that the 2020-21 State Budget will result in a $75.7 billion surplus. Combining this with $25 billion in one-time federal relief funding, the May Revision sets forth a $100 billion "California Comeback Plan" to address recovery from the COVID-19 pandemic, address long-standing challenges facing the State and provide opportunities for all California families. The May Revision provides for $24.9 billion in reserves including $15.9 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies, $450 million in the Safety Net Reserve, $4.6 billion in the Public School System Stabilization Account, and an estimated $3.4 billion in the State's operating reserve. Certain highlights of spending proposals and other programs included in the May Revision are:

- Stimulus Plan for Families and Small Businesses. The May Revision proposes expanding the State's program known as the "Golden State Stimulus" which in Spring 2021 provided stimulus checks to certain households and small businesses. Under the Governor's proposals, tax refunds will be provided to middle-class families that make an adjusted $75,000 or less, two-thirds of Californians will benefit from $600 payments, and qualified families with dependents, including undocumented families, will also be eligible for an additional $500 payment.

- K-14 Education. The significant increase in state's revenues results in Proposition 98 funding of $93.7 billion which is nearly $14,000 per pupil. In addition, the State appropriations limit will result in a supplemental payment to schools of approximately $8 billion, which is scheduled to be allocated in fiscal year 2022-23. This payment is expected to assist districts over the next several years as one-time federal funds expire. For K-12 school districts, the May Revision includes the "California for All Kids Plan," a five-year investment strategy to address equity gaps with year round enrichment programs, extended day supplemental education programs, improvements to teacher preparation and training, increasing staffing including counselors, social workers and nurses, and increasing access for school-based nutrition. Also the May Revision proposes access to transitional kindergarten for all four-year-olds commencing in 2022-23.

- Funding for Behavioral Health Programs. The May Revision proposes a statewide and comprehensive transformation of the behavioral health system for all Californians age 25 and younger. This proposal will expand evidenced-based programs, train new behavioral health workers, and create a statewide portal that can connect young people with telehealth visits, and other interactive tools. The proposal is designed to identify behavioral health conditions earlier and improve outcomes.

- Increased Funding for California Colleges. Altogether, University of California's ongoing General Fund will increase by $506.9 million, while the California State University's ongoing General Fund will increase by $596.1 million. These are made with the understanding that both segments will maintain undergraduate tuition and fees at current levels for the 2021-22 academic year, reduce equity gaps, provide more online learning opportunities, and better align student learning with workforce needs.

- College savings accounts for Low-Income Children. The May Revision invests $2 billion to create a "California Child Savings Accounts" program. Seeded with $500 per account, the value of deposits will grow over time, providing a direct path to affording postsecondary education and helping address equity gaps.

- Learning-Aligned Employment Program. Invests $1 billion over two years to establish the Learning-Aligned Employment program, an endowment housed at the University of California with annual proceeds distributed to the State's public higher education segments to develop partnerships with businesses to train and employ underrepresented students in jobs that align with educational pathways and can lead to permanent career opportunities.

- Addresses Homelessness: Project Roomkey. Funding of $11.87 billion over the next two fiscal years for "Project Roomkey." Total proposed funding of $7 billion for Project Homekey will further expand the portfolio of housing, including behavioral health continuum infrastructure and housing for low-income seniors. The May Revision also includes $1 billion for the CalWORKS housing support program, $560 million to address family homelessness, and $25 million for veterans homelessness.

- Health Care. The May Revision provides $315 million to centralize administrative and clinical data from the State, health plans, and health providers to better identify and stratify member risk to support California Advancing and Innovating Medi-Cal implementation and health care equity. In addition, an ongoing $1 billion ($859 million General Fund) investment is proposed to expand Medi-Cal coverage to undocumented adults aged 60 years and older, beginning in May of 2022. Additional funding is proposed to provide expanded benefits in other areas including to support older adults.

- Funding for Infrastructure Response. Includes funding for:
  - water and drought relief including proposing $5.1 billion over multiple years for a water resilience package to expand and protect water supplies across the State;
  - sustainable agriculture, including $794 million for climate smart agriculture, improving drought resiliency, increasing pollinator habitat, and transitioning to safer, more sustainable pest management;
  - clean transportation, including $3.2 billion over the next three years for clean transportation programs that will improve air quality by expanding zero-emission short-haul trucks, transit buses, and school buses, including funding for charging and fueling infrastructure;
  - climate change issues, including $1.3 billion in targeted investments for communities that are facing the impacts of climate change;
  - transportation issues, including $4.2 billion for the High Speed Rail project, $3.1 billion for high-priority rail and active transportation projects, and $2.4 billion to repair State highways and local bridges, and accelerate rail projects. Taken together, these investments will result in thousands of new jobs and spur even more economic activity throughout the state; and
  - access to high-speed broadband internet service, including a $7 billion investment to expand broadband infrastructure and enhance access.

- Response to Environmental Issues. The May Revision invests an additional $200 million, bringing the total to $500 million, to accelerate the cleanup of contaminated properties throughout the state in impacted communities and proposes an additional $291 million for cleanup of additional properties near the former Exide facility in Vernon. The May Revision further invests in protecting Californians from harmful pesticides by implementing a notification system to provide important information about local pesticide use. The May Revision also includes $200 million to plug abandoned orphaned oil and gas wells, many located near low-income residential areas.

- Emergency Response and Preparedness. Approximately $100 million in funding is provided for the Governor's Office of Emergency Services (**"Cal OES"**) to strengthen the State's emergency capacity and capabilities. $250 million is budgeted for Cal OES to implement an equitable all hazards grant program focused on building resiliency in disadvantaged communities and providing assistance to communities who often lack resources or expertise in drafting competitive grant applications to leverage federal and private funds. The May Revision together with the Governor's Budget adds another $708 million to the wildfire package enacted in fiscal year 2020-21, bringing the total wildfire package to $1.2 billion to prepare for and mitigate fires this season and beyond.

LAO's Commentary on May Revision. On May 17, 2021, the LAO released its commentary on the May Revision. Key takeaways from the commentary are:

- The LAO estimates that the State has $38 billion in discretionary state funds to allocate in the fiscal year 2021-22 budget process, an estimate that is different than the Governor's figure of $76 billion. The differences stem from differing definitions. The Governor's estimate includes constitutionally required spending on schools and community colleges, reserves, and debt payments. The LAO does not consider these spending amounts part of the surplus because they must be allocated to specified purposes.
- Despite a historic surge in revenues, the LAO notes that the Governor continues to rely on budget tools from fiscal year 2020-21. Specifically, he uses $12 billion in reserve withdrawals and borrowing to increase spending. The LAO comments that the State will need such tools to respond to future challenges, when federal assistance might not be as significant, and urges the Legislature not to take a step back from its track record of prudent budget management.
- The LAO notes that the May Revision estimates the State will collect $16 billion in revenues in excess of the State appropriations limit this year. However, the ultimate amount of a potential excess will depend on decisions by the Legislature. Ultimately, the Legislature has substantial discretion in how to meet the constitutional requirements.
- The May Revision includes roughly 400 new proposals. While the surplus is large enough to make significant inroads in addressing a few key policy priorities, it is unlikely sufficient to do so across the number of issues contemplated in the May Revision. If the Legislature preferred to make surer substantial progress in a few key areas, it could allocate the surplus in a more targeted manner that reflect its top priorities.
- The surplus, in combination with the federal fiscal recovery funds, represents resources equal to about half of pre-pandemic general fund budgets. Departments' capacity to allocate this funding in a timely and effective manner likely will be significantly constrained. More importantly, the Legislature's time to deliberate over choices made in this budget is extremely limited. The LAO recommends the Legislature delay some of those decisions and offer options for doing so.

The State Legislature adopted a budget on June 14, 2021, meeting the constitutional deadline. The enacted budget is expected to become available prior to July 1, 2021 upon execution by the Governor, with trailer bills detailing how appropriated funds will be spent and subject to further legislative action thereafter.

Disclaimer Regarding State Budgets

The execution of State budgets including the above 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 current State budget is expected to be impacted by the COVID-19 emergency described herein. The District cannot predict the impact that the 2020-21 State Budget or subsequent State Budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* property 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 Underwriter 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 Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

Availability of State Budgets

The complete adopted State budgets and related information are available from the California Department of Finance website at www.ebudget.ca.gov. Impartial analyses of these documents are published by the Legislative Analyst Office, and can be accessed at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of internet addresses referenced herein 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.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

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* property tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 39 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* property 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) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) (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. All of the District's outstanding general obligation bonds were authorized pursuant to clause (iii) above. 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.

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

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% 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% 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% 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 this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 30 and Proposition 55

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes 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 increased the marginal personal income tax rate by: (i) 1%

for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 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 will be 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 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 sales and excise tax increases of Proposition 30.

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 provisions of Proposition 1A. This initiative amends the State constitution to prohibit the 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. This Proposition 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.

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* property tax collections such as 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 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.

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment (**"Proposition 19"**), which amends Article XIIIA to (i) expand as of April 1, 2021 special rules that govern the transfer of a residential property's tax base value to a replacement residence for homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home anywhere within the State, (ii) narrows as of February 16, 2021 existing special rules for the valuation of inherited real property due to a transfer between family members, and (iii) allocates most resulting State revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes. The District cannot predict whether the implementation of Proposition 19 will increase, decrease or have no overall impact on the District's assessed values.

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, 2020

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Financial Statements
June 30, 2020

Santa Monica-Malibu Unified School District

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Independent Auditor's Report

To the 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District (the District) as of and for the year ended June 30, 2020, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 16 to the financial statements, the District's prior-year governmental activities net position, fiduciary fund net position, and fund balance for the General Fund have been restated as of June 30, 2019 to correct certain errors noted during our audit of the beginning balances. Our opinions are 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 13, budgetary comparison information on page 77, schedule of changes in the District's net OPEB liability and related ratios on page 78, schedule of District contributions for OPEB on page 79 , schedule of the District's proportionate share of the net OPEB liability – MPP program on page 80, schedule of the District's proportionate share of the net pension liability on page 81, and the schedule of District contributions on page 82, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Monica-Malibu Unified School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2021 on our consideration of Santa Monica-Malibu Unified School District‘s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Monica-Malibu Unified School District‘s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Monica-Malibu Unified School District‘s internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 18, 2021

This section of Santa Monica-Malibu Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the of Santa Monica-Malibu Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred inflows of resources, liabilities, and deferred outflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

Aggregate Discretely Presented Component Unit – The District reports the Santa Monica Education Foundation as a discretely presented component unit. Although the Santa Monica Education Foundation is a legally separate entity, it is reported in the financial statements using the discrete presentation method because its purpose is to finance the educational programs for the direct benefit of the District.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities, employee retiree benefits, and employee payroll withholdings. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position and Changes in Fund Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- Total net position for the primary government was $14,192,666 at June 30, 2020. This was an increase of $8,734,996 from the prior fiscal year's net position.

- Overall revenues for the primary government were $251,513,002 which created a surplus over expenses at $242,778,006.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $14.2 million for the fiscal year ended June 30, 2020. Of this amount, $(193.9) million was unrestricted deficit. 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 net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	As restated 2019
Assets		
Current and other assets	$ 434,482,401	$ 340,021,062
Capital assets	663,833,202	534,921,430
Total assets	1,098,315,603	874,942,492
Deferred outflows of resources	67,309,936	71,272,281
Liabilities		
Current liabilities	55,444,208	56,410,750
Long-term liabilities	1,073,872,731	855,854,220
Total liabilities	1,129,316,939	912,264,970
Deferred inflows of resources	22,115,934	28,492,133
Net Position		
Net investment in capital assets	63,149,554	30,426,376
Restricted	144,917,125	162,517,265
Unrestricted (deficit)	(193,874,013)	(187,485,971)
Total net position	$ 14,192,666	$ 5,457,670

The $(193.9) million in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 3.4 percent ($(193.9) million compared to $(187.5) million).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities 2020	Governmental Activities 2019
Revenues		
Program revenues		
Charges for services	$ 6,647,563	$ 6,969,932
Operating grants and contributions	53,893,206	30,486,140
General revenues		
Federal and State aid not restricted	12,873,458	15,160,145
Property taxes	161,930,047	138,671,364
Other general revenues	16,168,728	34,885,927
Total revenues	251,513,002	226,173,508
Expenses		
Instruction-related	139,680,847	137,472,795
Pupil services	19,978,397	19,139,757
Administration	11,587,836	12,024,620
Plant services	19,873,398	28,272,070
Interest on long-term liabilities	28,265,605	21,664,111
Depreciation	19,781,744	17,753,660
Other	3,610,179	4,342,227
Total expenses	242,778,006	240,669,240
Change in net position	$ 8,734,996	$ (14,495,732)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $242.8 million. The amount that our taxpayers ultimately financed for these activities through local taxes was $161.9 million. Some of our costs were paid by those who benefited from the programs ($6.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($53.9 million). We paid for the remaining "public benefit" portion of our governmental activities with $29.0 million in Federal and State funds, and with other revenues, like interest and other local revenues.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, interest on long-term liabilities, depreciation, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 139,680,847	$ 137,472,795	$ (110,477,948)	$ (118,771,163)
Pupil services	19,978,397	19,139,757	(14,860,502)	(13,769,861)
Administration	11,587,836	12,024,620	(10,842,437)	(11,243,189)
Plant services	19,873,398	28,272,070	(9,996,308)	(23,009,314)
Interest on long-term liabilities	28,265,605	21,664,111	(28,265,605)	(21,664,111)
Depreciation	19,781,744	17,753,660	(19,781,744)	(17,753,660)
All other services	3,610,179	4,342,227	11,987,307	2,998,130
Total	$ 242,778,006	$ 240,669,240	$ (182,237,237)	$ (203,213,168)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $391,778,821, which is an increase of $96,729,227 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Funds	As restated June 30, 2019	Revenues and Other Sources	Expenditures and Other Uses	June 30, 2020
General	$ 29,964,299	$ 171,846,742	$ 171,737,828	$ 30,073,213
Adult Education	733,854	847,655	669,369	912,140
Child Development	1,303,842	7,719,874	8,209,868	813,848
Cafeteria	380,819	3,118,412	3,047,032	452,199
Deferred Maintenance	760,019	765,982	728,094	797,907
Building	93,990,808	263,663,817	149,641,224	208,013,401
Capital Facilities	3,282,409	2,015,875	674,564	4,623,720
Special Reserve Fund for Capital Outlay Projects	13,207,055	4,681,121	2,201,451	15,686,725
Bond Interest and Redemption	151,426,489	183,229,104	204,249,925	130,405,668
Total	$ 295,049,594	$ 637,888,582	$ 541,159,355	$ 391,778,821

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 $391,778,821, which is more than last fiscal year's ending fund balance of $295,049,594. This change is largely in part due to the physical school closure that was triggered by the global Covid-19 pandemic which curtailed spending; thus, having a larger amount of unspent funds which increased the combined fund balance accordingly. In addition, the District issued general obligation bonds during the current fiscal year that increased fund balance in the Building Fund.

The District's General Fund had $2,958,914 more in operating revenues than expenditures for the fiscal year ended June 30, 2020. This surplus was attributed to multiple factors across the budget. This amount includes a decrease of $589,891 of the Local General Fund Contribution to Special Education which is an increase in revenue; lower RDA (Community Redevelopment Funds) property tax of $939,889 from the local control funding formula; increased Measure GSH & Y revenue in the amount of $2,095,622; and unspent Certificated salaries due to unfilled positions and lower hourly/sub costs in the amount of $698,159 to name a few of the major portions of the differences between the June Estimated Actuals and the September Unaudited Actuals.

The District's Building Fund had $145,977,407 less in operating revenues than expenditures due to a significant increase in expenditures towards facilities construction during the fiscal year ended June 30, 2020. Also, for the fiscal year ended June 30, 2020, the District's Bond Interest & Redemption Fund had $21,020,821 less in operating revenues than expenditures as a result of repayment of matured bonds.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget in order to reflect and accurately project changes in revenues and expenditures. The final amendment to the budget was adopted by the Board of Education on May 21, 2020. This final budget adjustment mainly perfects the projection of the LCFF Revenue, Local Revenue, and any change in the Local General Fund Contribution to Special Education. These projections are based on a combination of receipts and scheduled apportionments. (A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 77).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $663.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $128.9 million, or 24.1 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 314,309,650	$ 170,740,816
Buildings and improvements	340,327,818	353,674,047
Equipment	9,195,734	10,506,567
Total	$ 663,833,202	$ 534,921,430

Significant additions for the current fiscal year included the following:

- Work-in-process ($148,553,826)
  - Measure M – ($6,830,110)
  - Measure SMS – ($62,417,546)
  - Measure ES – ($55,479,226)
  - Measure BB – ($23,610,502)
  - General Fund [Board Room Audio Visual Equipment Upgrade] – ($216,441)
- Non-technology equipment ($25,679)
- Food services equipment ($18,400)
- Technology equipment ($64,626)
- Vehicles ($45,865)

Long-Term Liabilities other than Other Post-Employment Benefits and Pensions

At the end of this year, the District had $845.2 million in long-term liabilities other than pension and OPEB outstanding versus $633.9 million last year, an increase of 33.3 percent. That increase is largely attributed to the issuance of a total of $365,915,000 million in General Obligation Bonds, a portion of which was used to refund existing outstanding bonds. See Note 9 for additional information. Long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2020	As restated 2019
Long-Term Liabilities		
General obligation bonds	$ 780,584,702	$ 579,743,655
Certificates of participation	9,830,882	11,151,054
Unamortized premiums/(discounts)	49,409,775	36,984,087
Supplemental early retirement	4,059,872	5,074,840
Compensated absences	1,282,302	917,512
Total	$ 845,167,533	$ 633,871,148

The District's general obligation bond rating continues to be affirmed by Moody's at an *Aaa* rating level.

Other Post-Employment Benefits (OPEB) and Pensions

At year-end, the District has other post-employment benefit (OPEB) liabilities of $53,177,843, versus $45,980,490 last year, an increase of $7,197,353 or 15.7 percent.

At year-end, the District has a net pension liability of $175,527,355 versus $176,002,582 last year, a decrease of $475,227, or 0.3 percent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2020-2021 year, the governing board and management used the following key assumption criteria:

Revenues

The District continues to be a Basic Aid District, also known as a Community Funded District, in fiscal year 2019-2020 for the third consecutive year. This occurred as Property Tax revenue exceeded that of the LCFF Entitlement from the State. The District benefits as a Basic Aid District when funded above its computed revenue (LCFF Entitlement) which is triggered by fast growing property taxes yielding an annual year-over-year revenue increase. However, it is difficult to project Property Tax growth making long-term forecasts unreliable. The District does not receive additional funding when enrollment increases (or is higher than estimated). Like many Basic Aid Districts, the District should consider reviewing its "Inter-district Transfer Policy" in addition to keeping higher reserves.

The District anticipates additional State and Federal funding to support operations during the global COVID-19 pandemic.

The District anticipates interest earnings will decrease due to reduction in market interest rates triggered by COVID-19.

Expenditures

The District continues to address its deficit spending and has submitted a Fiscal Stabilization Plan to its oversight agency, the Los Angeles County Office of Education (LACOE).The District continues to be guided by Board Resolution #19-13 that the Governing Board of Education adopted on December 12, 2019 which commits the District to implementing necessary budget reductions and/or revenue enhancements for the 2020-2021 year through the 2022-2023 year in order to address the structural deficit spending.

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.

	Primary Government Governmental Activities	Component Unit Santa Monica Education Foundation
Assets		
Deposits and investments	$ 423,717,245	$ 11,153,425
Receivables	5,650,185	202,912
Due from other governments	4,902,106	-
Prepaid expenses	170,362	19,707
Stores inventories	42,503	-
Capital assets not depreciated	314,309,650	-
Capital assets, net of accumulated depreciation	349,523,552	6,919
Total assets	1,098,315,603	11,382,963
Deferred Outflows of Resources		
Deferred charge on refunding	12,937,098	-
Deferred outflows of resources related to OPEB	11,541,842	-
Deferred outflows of resources related to pensions	42,830,996	-
Total deferred outflows of resources	67,309,936	-
Liabilities		
Accounts payable and accrued liabilities	40,883,145	2,101,316
Interest payable	12,740,628	-
Due to other governments	566,570	-
Refundable advance - Paycheck Protection Program (PPP)	-	98,401
Unearned revenue	1,253,865	17,294
Long-term liabilities		
Long-term liabilities other than OPEB and pensions due within one year	100,244,968	-
Long-term liabilities other than OPEB and pensions due in more than one year	744,922,565	-
Net other postemployment benefits (OPEB) liability	53,177,843	-
Aggregate net pension liability	175,527,355	-
Total liabilities	1,129,316,939	2,217,011
Deferred Inflows of Resources		
Deferred charge on refunding	4,149,750	-
Deferred inflows of resources related to OPEB	2,921,623	-
Deferred inflows of resources related to pensions	15,044,561	-
Total deferred inflows of resources	22,115,934	-
Net Position		
Net investment in capital assets	63,149,554	6,919
Restricted for		
Debt service	117,665,040	-
Capital projects	20,310,445	-
Educational programs	6,531,944	-
Restricted for endowments and other	409,696	8,176,725
Unrestricted (deficit)	(193,874,013)	982,308
Total net position	$ 14,192,666	$ 9,165,952

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Component Unit Santa Monica Education Foundation
Governmental Activities					
Instruction	$ 117,110,804	$ 2,189,123	$ 23,605,209	$ (91,316,472)	$ -
Instruction-related activities					
Supervision of instruction	8,866,435	143,996	1,470,476	(7,251,963)	-
Instructional library, media, and technology	1,558,799	5,615	177,542	(1,375,642)	-
School site administration	12,144,809	236,646	1,374,292	(10,533,871)	-
Pupil services					
Home-to-school transportation	2,220,746	-	-	(2,220,746)	-
Food services	3,334,491	1,108,703	1,189,352	(1,036,436)	-
All other pupil services	14,423,160	46,230	2,773,610	(11,603,320)	-
Administration					
Data processing	1,672,862	-	-	(1,672,862)	-
All other administration	9,914,974	171,645	573,754	(9,169,575)	-
Plant services	19,873,398	1,080,500	8,796,590	(9,996,308)	-
Ancillary services	910,657	85,208	731,878	(93,571)	-
Community services	2,415,974	752,170	6,285,468	4,621,664	-
Enterprise services	267,100	-	-	(267,100)	-
Interest on long-term liabilities	28,265,605	-	-	(28,265,605)	-
Other outgo	16,448	827,727	6,915,035	7,726,314	-
Depreciation (unallocated)	19,781,744	-	-	(19,781,744)	-
Total governmental activities	$ 242,778,006	$ 6,647,563	$ 53,893,206	(182,237,237)	-
Component Unit					
Program services	$ 2,554,357	$ -	$ 3,042,384	-	488,027
Management and general	155,873	-	-	-	(155,873)
Fundraising	596,474	-	-	-	(596,474)
Total component unit	$ 3,306,704	$ -	$ 3,042,384	-	(264,320)
General Revenues and Subventions					
Property taxes, levied for general purposes				91,183,929	-
Property taxes, levied for debt service				53,389,769	-
Taxes levied for other specific purposes				17,356,349	-
Federal and State aid not restricted to specific purposes				12,873,458	-
Interest and investment earnings				1,118,440	355,479
Miscellaneous				15,050,288	-
Subtotal, general revenues				190,972,233	355,479
Change in Net Position				8,734,996	91,159
Net Position - Beginning, as restated				5,457,670	9,074,793
Net Position - Ending				$ 14,192,666	$ 9,165,952

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 38,224,518	$ 231,133,925	$ 130,405,668	$ 23,953,134	$ 423,717,245
Receivables	4,649,196	697,493	-	303,496	5,650,185
Due from other governments	4,549,674	-	-	352,432	4,902,106
Prepaid expenditures	170,362	-	-	-	170,362
Stores inventories	-	-	-	42,503	42,503
Total assets	$ 47,593,750	$ 231,831,418	$ 130,405,668	$ 24,651,565	$ 434,482,401
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 15,721,224	$ 23,818,017	$ -	$ 1,343,904	$ 40,883,145
Due to other governments	566,570	-	-	-	566,570
Unearned revenue	1,232,743	-	-	21,122	1,253,865
Total liabilities	17,520,537	23,818,017	-	1,365,026	42,703,580
Fund Balances					
Nonspendable	190,366	-	-	42,503	232,869
Restricted	5,604,354	208,013,401	130,405,668	21,647,731	365,671,154
Committed	-	-	-	1,094,148	1,094,148
Assigned	2,224,388	-	-	502,157	2,726,545
Unassigned	22,054,105	-	-	-	22,054,105
Total fund balances	30,073,213	208,013,401	130,405,668	23,286,539	391,778,821
Total liabilities and fund balances	$ 47,593,750	$ 231,831,418	$ 130,405,668	$ 24,651,565	$ 434,482,401

Total Fund Balance - Governmental Funds		$ 391,778,821
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 840,872,578	
Accumulated depreciation is	(177,039,376)	
Net capital assets		663,833,202
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(12,740,628)
Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	12,937,098	
Other postemployment benefits	11,541,842	
Net pension liability	42,830,996	
Total deferred outflows of resources		67,309,936
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Deferred charge on refunding	(4,149,750)	
Other postemployment benefits	(2,921,623)	
Net pension liability	(15,044,561)	
Total deferred inflows of resources		(22,115,934)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(175,527,355)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(53,177,843)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	(763,515,233)	
Premium on issuance	(49,230,557)	
Discount on issuance	21,496	
Certificates of participation	(4,559,389)	
Premium on issuance	(200,714)	
Compensated absences (vacations)	(1,282,302)	
Supplemental early retirement liability	(4,059,872)	
In addition, capital appreciation general obligation bonds and certificates of participation were issued. The accretion of interest to date is:	(22,340,962)	
Total long-term liabilities		(845,167,533)
Total net position - governmental activities		$ 14,192,666

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues			
Local Control Funding Formula			
State approtionments	$ 8,585,921	$ -	$ -
Education protection account state aid	2,018,542	-	-
Local sources	90,896,931	-	-
Federal sources	3,824,863	-	1,731,779
Other State sources	12,091,562	-	77,633
Other local sources	54,428,923	3,663,817	54,304,633
Total revenues	171,846,742	3,663,817	56,114,045
Expenditures			
Current			
Instruction	102,623,536	-	-
Instruction-related activities			
Supervision of instruction	7,631,650	-	-
Instructional library, media, and technology	1,438,215	-	-
School site administration	10,057,561	-	-
Pupil services			
Home-to-school transportation	2,186,974	-	-
Food services	-	-	-
All other pupil services	13,217,478	-	-
Administration			
Data processing	1,645,367	-	-
All other administration	9,780,059	-	-
Plant services	16,291,189	598,839	-
Ancillary services	881,334	-	-
Community services	2,235,981	-	-
Other outgo	16,448	-	-
Enterprise services	267,100	-	-
Facility acquisition and construction	8,447	148,337,385	-
Debt service			
Principal	-	-	73,150,000
Interest and other	606,489	705,000	25,802,675
Total expenditures	168,887,828	149,641,224	98,952,675
Excess (Deficiency) of Revenues Over Expenditures	2,958,914	(145,977,407)	(42,838,630)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources - proceeds from bond issuance	-	260,000,000	105,915,000
Other sources - premium on bond issuance	-	-	21,200,059
Transfers out	(2,850,000)	-	-
Other uses - payment to refunded bond escrow agent	-	-	(105,297,250)
Net Financing Sources (Uses)	(2,850,000)	260,000,000	21,817,809
Net Change in Fund Balances	108,914	114,022,593	(21,020,821)
Fund Balance - Beginning, as restated	29,964,299	93,990,808	151,426,489
Fund Balance - Ending	$ 30,073,213	$ 208,013,401	$ 130,405,668

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula		
State approtionments	$ -	$ 8,585,921
Education protection account state aid	-	2,018,542
Local sources	-	90,896,931
Federal sources	1,165,311	6,721,953
Other State sources	3,364,122	15,533,317
Other local sources	11,769,486	124,166,859
Total revenues	16,298,919	247,923,523
Expenditures		
Current		
Instruction	6,191,205	108,814,741
Instruction-related activities		
Supervision of instruction	525,584	8,157,234
Instructional library, media, and technology	-	1,438,215
School site administration	1,109,445	11,167,006
Pupil services		
Home-to-school transportation	-	2,186,974
Food services	3,181,851	3,181,851
All other pupil services	154,960	13,372,438
Administration		
Data processing	-	1,645,367
All other administration	596,455	10,376,514
Plant services	1,903,325	18,793,353
Ancillary services	-	881,334
Community services	-	2,235,981
Other outgo	-	16,448
Enterprise services	-	267,100
Facility acquisition and construction	-	148,345,832
Debt service		
Principal	1,795,000	74,945,000
Interest and other	72,553	27,186,717
Total expenditures	15,530,378	433,012,105
Excess (Deficiency) of Revenues Over Expenditures	768,541	(185,088,582)
Other Financing Sources (Uses)		
Transfers in	2,850,000	2,850,000
Other sources - proceeds from bond issuance	-	365,915,000
Other sources - premium on bond issuance	-	21,200,059
Transfers out	-	(2,850,000)
Other uses - payment to refunded bond escrow agent	-	(105,297,250)
Net Financing Sources (Uses)	2,850,000	281,817,809
Net Change in Fund Balances	3,618,541	96,729,227
Fund Balance - Beginning	19,667,998	295,049,594
Fund Balance - Ending	$ 23,286,539	$ 391,778,821

Total Net Change in Fund Balances - Governmental Funds		$ 96,729,227
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 148,693,516	
Depreciation expense	(19,781,744)	
Net expense adjustment		128,911,772
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(1,531,047)
The District issued capital appreciation certificates of participation. The accretion of interest on the certificates of participation during the current fiscal year was		(474,828)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement incentives earned and used.		650,178
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(9,198,678)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(3,421,900)

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	$ (365,915,000)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(21,200,059)
Deferred amount on refunding recognized	8,683,327
Premium amortization	8,776,126
Discount amortization	(1,755)
Deferred amount on refunding amortization	(371,021)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	166,605,000
Certificates of participation	1,795,000
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	(1,301,346)
Change in net position of governmental activities	$ 8,734,996

	Payroll Clearing Fund	Student Body Funds
Assets		
Deposits and investments	$ 44,718	$ 433,686
Liabilities		
Due to student groups	$ -	$ 433,686
Due to other governments	44,718	-
Total liabilities	$ 44,718	$ 433,686

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Santa Monica-Malibu Unified School District (the 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 TK - 12 as mandated by the State and/or Federal agencies. The District operates nine elementary, three middle, two high schools, one continuation high school, one alternative school, an adult education center, and 11 child care and development centers.

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, boards, and agencies that are not legally separate from the District. For Santa Monica-Malibu Unified School District, this includes general operations, food service, and student related activities of the District.

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. For financial reporting purposes, the Santa Monica Education Foundation (the Foundation) has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity,* and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The Foundation, although a legally separate entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District; the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; and the economic resources received from or held by an individual organization are significant to the District.

The Santa Monica Education Foundation is a non-profit dedicated to enriching the education of every Santa Monica student in the Santa Monica-Malibu Unified School District. Contributions to the Santa Monica Education Foundation fund excellent programs at every Santa Monica public school – from arts to STEM to wellness – that shape our future problem solvers, visionaries, and global citizens.

Established in 1982 by a dedicated group of parents, community leaders, and local business owners, the Ed Foundation raises funds to enhance and supplement the curriculum of the Santa Monica schools. The Foundation's mission is to engage the community to invest in a vibrant educational experience for all public-school students in Santa Monica.

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 specifically identified programs. Because these restricted resources held by the Foundation can be used only by, or for the benefits of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District Financial statements. Separately issued financial statements are also prepared for the Foundation. Separately issued financial statements are also prepared for the Foundation.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Building Fund The Building 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.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a local educational agency (Education Code Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and **local** revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is 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** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for payroll withholdings and for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in 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 the 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments with original maturities greater than one year at the time of purchase 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 pool is determined by the program sponsor.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are valued using the average cost basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. 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 but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 5 to 50 years; equipment, 5 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District’s financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund 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 liabilities of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred amounts related to pension and OPEB relate to the differences between contributions and the District's proportionate share of contributions, differences between expected and actual experience, and differences between projected and actual earnings on investments.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $153,093,850, of net position restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the Statement of Activities.

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.

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 of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District’s financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District’s financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	$ 423,717,245
Component unit - Santa Monica Education Foundation*	11,153,425
Fiduciary funds	478,404
Total deposits and investments	$ 435,349,074

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 1,909,219
Cash with fiscal agent	55,315,031
Cash in revolving	20,004
Investments	378,104,820
Total deposits and investments	$ 435,349,074

* Santa Monica Education Foundation's deposits and investments are comprised of the following:

Cash and cash equivalents	$ 855,665
Investments	
Bond funds	2,769,179
Mutual Funds	729,488
Foreign stock funds	755,945
Other domestic stock funds	6,043,148
Total deposits and investments	$ 11,153,425

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; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts 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.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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 Market 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	None
Joint Powers Authority Pools	N/A	None	None

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 Pool. The District maintains an investment of $367,807,060 with the Los Angeles County Treasury Investment Poll that has an average weighted maturity of 590 days.

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 District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2020.

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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. 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, 2020, the District's had a bank balance of $564,513, that was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, 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 in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- 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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- 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 reasonably 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.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Fair Value Measurements at Report Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Santa Monica Education Foundation		
Bond funds	$ 2,769,179	$ 2,769,179
Mutual Funds	729,488	729,488
Foreign stock funds	755,945	755,945
Other domestic stock funds	6,043,148	6,043,148
Total	$ 10,297,760	$ 10,297,760

All assets have been valued using a market approach, with quoted market prices.

Note 4 - Receivables and Due from other Governments

Receivables and amounts due from other governments at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	$ 2,489,674	$ -	$ 115,990	$ 2,605,664
State Government				
LCFF apportionment	219,062	-	-	219,062
EPA	506,694	-	-	506,694
Special education	805,034	-	-	805,034
Lottery	529,210	-	-	529,210
Categorical aid	-	-	275,099	275,099
Local Government				
Interest	116,077	697,493	65,082	878,652
Other local sources	4,533,119	-	199,757	4,732,876
Total	$ 9,198,870	$ 697,493	$ 655,928	$ 10,552,291

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 15,122,223	$ -	$ -	$ 15,122,223
Construction in progress	155,618,593	148,553,826	(4,984,992)	299,187,427
Total capital assets not being depreciated	170,740,816	148,553,826	(4,984,992)	314,309,650
Capital assets being depreciated				
Land improvements	67,997,706	4,821,872	-	72,819,578
Buildings and improvements	425,971,777	102,273	-	426,074,050
Furniture and equipment	27,468,763	200,537	-	27,669,300
Total capital assets being depreciated	521,438,246	5,124,682	-	526,562,928
Total capital assets	692,179,062	153,678,508	(4,984,992)	840,872,578
Accumulated depreciation				
Land improvements	(13,759,063)	(2,922,874)	-	(16,681,937)
Buildings and improvements	(126,536,373)	(15,347,500)	-	(141,883,873)
Furniture and equipment	(16,962,196)	(1,511,370)	-	(18,473,566)
Total accumulated depreciation	(157,257,632)	(19,781,744)	-	(177,039,376)
Governmental activities capital assets, net	$ 534,921,430	$ 133,896,764	$ (4,984,992)	$ 663,833,202

The District does not allocate depreciation expense to the various functions.

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

The General Fund transferred to the Non-Major Governmental Child Development Fund for program contributions.	$ 1,200,000
The General Fund tranferred $900,000 to the Non-Major Governmental Cafeteria Fund for program contributions.	900,000
The General Fund tranferred $750,000 to the Non-Major Governmental Deferred Maintenance Fund for future maintenance projects.	750,000
Total	$ 2,850,000

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Salaries and benefits	$ 13,180,013	$ 126,766	$ 573,968	$ 13,880,747
Vendors	2,364,080	-	758,992	3,123,072
Supplies	136,017	-	-	136,017
Bus pass refunds	40,294	-	-	40,294
Construction	820	23,691,251	10,944	23,703,015
Total	$ 15,721,224	$ 23,818,017	$ 1,343,904	$ 40,883,145

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 172,419	$ -	$ 172,419
State categorical aid	222,494	21,122	243,616
Other local	837,830	-	837,830
Total	$ 1,232,743	$ 21,122	$ 1,253,865

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 579,743,655	$ 367,446,047	$ (166,605,000)	$ 780,584,702	$ 96,965,000
Certificates of participation	11,151,054	474,828	(1,795,000)	9,830,882	2,265,000
Unamortized debt premiums	37,007,338	21,200,059	(8,776,126)	49,431,271	-
Unamortized debt discounts	(23,251)	-	1,755	(21,496)	-
Supplemental early retirement liability	5,074,840	-	(1,014,968)	4,059,872	1,014,968
Compensated absences	917,512	364,790	-	1,282,302	-
Total	$ 633,871,148	$ 389,485,724	$ (178,189,339)	$ 845,167,533	$ 100,244,968

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The Special Reserve Fund for Capital Outlay Projects makes payments for the Certificates of Participation. The supplemental early retirement is paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked, which generally includes the General Fund, Adult Education Fund, Child Development Fund, and Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019 As restated	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
6/17/1999	8/1/2023	3.20-5.50%	$ 38,000,034	$ 31,028,655	$ -	$ 1,531,047	$ (7,210,000)	$ 25,349,702
7/23/2009	8/1/2019	1.50-5.00%	11,875,000	1,630,000	-	-	(1,630,000)	-
7/23/2009	8/1/2034	5.645-7.556%	48,125,000	48,125,000	-	-	(48,125,000)	-
7/27/2010	7/1/2023	3.00-5.00%	10,690,000	2,125,000	-	-	(975,000)	1,150,000
7/27/2010	7/1/2035	5.796-6.634%	54,310,000	54,310,000	-	-	-	54,310,000
2/7/2013	8/1/2032	2.00-5.00%	45,425,000	43,045,000	-	-	(1,420,000)	41,625,000
4/3/2013	7/1/2037	0.17-5.00%	82,995,327	59,985,000	-	-	(53,200,000)	6,785,000
8/13/2014	7/1/2037	1.00-4.00%	30,000,000	7,730,000	-	-	-	7,730,000
7/7/2015	8/1/2040	2.00-5.00%	60,000,000	36,280,000	-	-	-	36,280,000
12/10/2015	8/1/2034	3.25-5.00%	47,915,000	47,915,000	-	-	-	47,915,000
10/11/2016	7/1/2035	1.00-4.00%	28,190,000	27,500,000	-	-	(300,000)	27,200,000
10/11/2016	7/1/2032	3.00%	660,000	660,000	-	-	-	660,000
10/11/2016	7/1/2035	2.00-4.00%	52,140,000	52,140,000	-	-	-	52,140,000
6/21/2017	7/1/2042	3.125-5.00%	60,000,000	47,270,000	-	-	(13,095,000)	34,175,000
9/6/2018	8/1/2043	3.00-5.00%	120,000,000	120,000,000	-	-	(40,650,000)	79,350,000
10/2/2019	8/1/2049	2.00-4.00%	110,000,000	-	110,000,000	-	-	110,000,000
10/2/2019	8/1/2049	2.00-4.00%	35,000,000	-	35,000,000	-	-	35,000,000
11/6/2019	8/1/2036	3.00-4.00%	115,000,000	-	115,000,000	-	-	115,000,000
11/6/2019	8/1/2043	1.59-3.114%	105,915,000	-	105,915,000	-	-	105,915,000
				$ 579,743,655	$ 365,915,000	$ 1,531,047	$ (166,605,000)	$ 780,584,702

Election of 1998, Series 1999

On June 17, 1999, the District issued $38,000,034 aggregate principal amount of the Election of 1998 General Obligation Bonds. The 1998 Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by $40,379,966, and an aggregate principal debt service balance of $78,380,000. The bonds mature on August 1, 2023, with interest rates ranging from 3.20 percent to 5.50 percent. Proceeds from the sale of the bonds were used for construction and renovation of school facilities and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was $25,349,702.

Election of 2006, Series B

On July 23, 2009, the District issued the Election of 2006, Series B, General Obligation Bonds in the amount of $11,875,000. The Election of 2006, Series B, Bonds were issued as current interest bonds and have a final maturity on August 1, 2019, with interest rates ranging from 1.50 percent to 5.00 percent. Proceeds from the sale of the bonds were used for the construction, renovation, modernization and equipping of school facilities and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was zero.

Election of 2006, Series B-1

On July 23, 2009, the District issued the Election of 2006, Series B-1, General Obligation Bonds in the amount of $48,125,000. The Election of 2006, Series B-1, Bonds were issued as current interest bonds and have a final maturity on August 1, 2034, with interest rates ranging from 5.645 percent to 7.556 percent. Proceeds from the sale of the bonds were used for the construction, renovation, modernization and equipping of school facilities and to pay the costs of issuance of the Bonds. The Series B-1 bonds were refunded on a crossover basis with the issuance of the 2015 General Obligation Refunding Bonds. The crossover date was August 1, 2019. As a result, at June 30, 2020, the principal balance outstanding was zero.

Election of 2006, Series C

On July 27, 2010, the District issued the Election of 2006, Series C, General Obligation Bonds in the amount of $10,690,000. The Election of 2006, Series C, Bonds were issued as current interest bonds and have a final maturity on July 1, 2023, with interest rates ranging from 3.00 percent to 5.00 percent. Proceeds from the sale of the bonds were used to refund the 2009 General Obligation Bond Anticipation Notes and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was $1,150,000.

Election of 2006, Series C-1

On July 27, 2010, the District issued the Election of 2006, Series C-1, General Obligation Bonds in the amount of $54,310,000. The Election of 2006, Series C-1, Bonds were issued as current interest bonds and have a final maturity on July 1, 2035, with interest rates ranging from 5.796 percent to 6.334 percent. Proceeds from the sale of the bonds were used for the construction, renovation, modernization and equipping of school facilities and to pay the costs of issuance of the Bonds. The Series C-1 bonds are being refunded on a crossover basis with the issuance of the 2016 General Obligation Refunding Bonds. The crossover date is July 1, 2020. As a result, at June 30, 2020, the principal balance outstanding was $54,310,000.

2013 General Obligation Refunding Bonds

On February 7, 2013, the District issued the 2013 General Obligation Refunding Bonds in the amount of $45,425,000. The 2013 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2032, with interest rates ranging from 2.00 percent to 5.00 percent. Proceeds from the sale of the bonds were used to advance refund the 2006, Series A, General Obligation Bonds and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was $41,625,000. The unamortized deferred loss on refunding was $4,500,107. The unamortized premium was $2,580,626.

Election of 2006, Series D

On April 3, 2013, the District issued the Election of 2006, Series D, General Obligation Bonds in the amount of $82,995,327. The Election of 2006, Series D, Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting by $29,174,672, and an aggregate principal debt service balance of $112,170,000. The bonds mature on July 1, 2037, with interest rates ranging from 0.17 percent to 5.00 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. In 2019 $52,805,000 of the Election of 2006, Series D, current interest bonds were refunded. At June 30, 2020, the principal balance outstanding was $6,785,000. The unamortized premium was $319,522.

Election of 2012, Series A

On August 13, 2014, the District issued the Election of 2012, Series A, General Obligation Bonds in the amount of $30,000,000. The Election of 2012, Series A, Bonds were issued as current interest bonds and have a final maturity on July 1, 2037, with interest rates ranging from 1.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, including technology upgrades, and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was $7,730,000. The unamortized premium was $181,002.

Election of 2012, Series B

On July 7, 2015, the District issued the Election of 2012, Series B, General Obligation Bonds in the amount of $60,000,000. The Election of 2012, Series B, Bonds were issued as current interest bonds and have a final maturity on August 1, 2040, with interest rates ranging from 2.00 percent to 5.00 percent. Proceeds from the sale of the bonds were used to repair, upgrading, acquisition, construction, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was $36,280,000. The unamortized premium was $2,773,268.

2015 General Obligation Refunding Bonds (Crossover Refunding)

On December 10, 2015, the District issued the 2015 General Obligation Refunding Bonds in the amount of $47,915,000. The 2015 General Obligation Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2034, with interest rates ranging from 3.25 percent to 5.00 percent. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis, the District’s Election of 2006 General Obligation Bonds, Series B-1, and to pay the costs of issuance of the Bonds. Prior to August 1, 2019 (the crossover date), the 2015 Refunding Bonds (the new debt) will be secured by and payable solely from proceeds of the 2015 Refunding Bonds deposited in an escrow account established therefor. The 2006, Series B-1 Bonds (the old debt) will continue to be payable from proceeds from the ad valorem taxes pledged for debt service. After the crossover date, the 2015 Refunding Bonds will be payable from proceeds from the ad valorem taxes pledged for debt service. At June 30, 2020, the principal balance outstanding was $47,915,000. The unamortized premium was $3,932,810.

2016 General Obligation Refunding Bonds, Series A and Series B

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series A and Series B (the Series A and Series B Bonds), in the amounts of $28,190,000, and $660,000. The Series A and Series B Bonds were issued as current interest bonds and have final maturities of July 1, 2035, and July 1, 2032, respectively, with interest rates ranging from 1.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to currently refund a portion of the 2006 General Obligation Refunding Bonds; advance refund portions of the District's Election of 2006 General Obligation Bonds, Series C, and Election of 2006 General Obligation Bonds, Series D; pay capitalized interest on the Series A and Series B Bonds; and pay the costs of issuing the Series A Bonds and Series B Bonds. At June 30, 2020, the principal balance outstanding on the Series A Bonds was $27,200,000, and $660,000 was outstanding on the Series B Bonds. The unamortized premium on the Series A bonds was $2,965,304. The unamortized discount on the Series B bonds was $(21,496). The unamortized gain on the refunding was $4,149,750.

2016 General Obligation Refunding Bonds, Series C (Crossover Refunding)

On October 11, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series C, in the amount of $52,140,000. The 2016 General Obligation Refunding Bonds, Series C, were issued as current interest bonds and have a final maturity on July 1, 2035, with interest rates ranging from 2.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to advance refund, on a crossover basis, the District's Election of 2006 General Obligation Bonds, Series C-1, and pay the costs of issuance of the Bonds. Prior to July 1, 2020 (the crossover date), the Series C Bonds (the new debt) will be secured by and payable solely from proceeds of the Series C Bonds deposited in an escrow account established therefor. The 2006, Series C-1 Bonds (the old debt) will continue to be payable from proceeds from the ad valorem taxes pledged for debt service. After the crossover date, the Series C Bonds will be payable from proceeds from the ad valorem taxes pledged for debt service. At June 30, 2020, the principal balance outstanding was $52,140,000. The unamortized premium was $6,207,652.

Election of 2012, Series C

On June 21, 2017, the District issued the Election of 2012, Series C, General Obligation Bonds in the amount of $60,000,000. The Election of 2012, Series C, Bonds were issued as current interest bonds and have a final maturity on July 1, 2042, with interest rates ranging from 3.125 percent to 5.00 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization, and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. At June 30, 2020, the principal balance outstanding was $34,175,000. The unamortized premium was $3,981,755.

Election of 2012, Series D

On September 6, 2018, the District issued the Election of 2012, Series D, General Obligation Bonds in the amount of $120,000,000. The Election of 2012, Series D, Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 3.00 percent to 5.00 percent. The net proceeds from the sale of the bonds were used to finance school facilities of the District. In 2019, $40,650,000 of the Election of 2012, Series D, current interest bonds were refunded. At June 30, 2020, the principal balance outstanding was $79,350,000. The unamortized premium was $5,825,425.

Election of 2018, Series A, School Facilities Improvement District No. 1

On October 2, 2019, the District issued the Election of 2018, Series A, General Obligation Bonds in the amount of $110,000,000. The Election of 2018, Series A, Bonds, SFID No. 1 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00 percent to 4.00 percent. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 1 (Santa Monica schools) and to pay issuance costs of the bonds. At June 30, 2020, the principal balance outstanding was $110,000,000. The unamortized premium was $7,660,003.

Election of 2018, Series A, School Facilities Improvement District No. 2

On October 2, 2019, the District issued the Election of 2018, Series A, General Obligation Bonds in the amount of $35,000,000. The Election of 2018, Series A, Bonds SFID No. 2 were issued as current interest bonds and have a final maturity on August 1, 2049, with interest rates ranging from 2.00 percent to 4.00 percent. Proceeds from the sale of the bonds were used to will be used to improve, repair, and modernize school facilities in the District School Facilities Improvement District No. 2 (Malibu schools) and to pay issuance costs of the bonds. At June 30, 2020, the principal balance outstanding was $35,000,000. The unamortized premium was $2,459,951.

Election of 2012, Series E

On November 6, 2019, the District issued the Election of 2012, Series E, General Obligation Bonds in the amount of $115,000,000. The Election of 2012, Series E, Bonds were issued as current interest bonds and have a final maturity on August 1, 2036, with interest rates ranging from 3.00 percent to 4.00 percent. Proceeds from the sale of the bonds will be used to improve, repair, and modernize school facilities in the District and to pay issuance costs of the bonds. At June 30, 2020, the principal balance outstanding was $115,000,000. The unamortized premium was $10,343,239.

2019 Refunding General Obligation Bonds

On November 6, 2019, the District issued the 2019 Refunding General Obligation Bonds in the amount of $105,915,000. The 2019 Refunding Bonds were issued as current interest bonds and have a final maturity on August 1, 2043, with interest rates ranging from 1.59 percent to 3.114 percent. Net proceeds from the sale of the bonds will be used to refinance on an advance basis certain maturities of the District's outstanding Election of 2006, Series D, General Obligation Bonds, and the Election of 2012, Series D, General Obligation Bonds, and to pay related costs of issuance. At June 30, 2020, the principal balance outstanding was $105,915,000. The unamortized loss on refunding was $8,436,991.

The refunding resulted in a cumulative cash flow savings of $15,209,003 over the life of the new debt and an economic gain of $10,162,060 based on the difference between the present value of the existing debt service requirements and new debt service requirements discounted at 2.92 percent.

Debt Service Requirements to Maturity

The bonds mature through 2050 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Unaccreted Interest	Current Interest to Maturity	Total
2021	$ 96,771,685	$ 193,315	$ 26,418,591	$ 123,383,591
2022	37,580,770	569,230	23,408,686	61,558,686
2023	24,993,987	926,013	22,446,245	48,366,245
2024	21,498,260	1,096,740	21,760,836	44,355,836
2025	18,290,000	-	21,058,876	39,348,876
2026-2030	125,555,000	-	92,158,727	217,713,727
2031-2035	183,680,000	-	63,664,329	247,344,329
2036-2040	156,020,000	-	30,768,392	186,788,392
2041-2045	75,380,000	-	11,771,770	87,151,770
2046-2050	40,815,000	-	3,224,025	44,039,025
Total	$ 780,584,702	$ 2,785,298	$ 316,680,477	$ 1,100,050,477

Certificates of Participation

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2019 As restated	Issued	Interest Accreted	Redeemed	Certificates Outstanding June 30, 2020
11/15/2001	5/1/2025	3.5-5.2%	$ 15,206,501	$ 9,531,054	$ -	$ 474,828	$ (1,500,000)	$ 8,505,882
12/1/2010	5/1/2024	2.0-5.0%	8,015,000	1,620,000	-	-	(295,000)	1,325,000
				$ 11,151,054	$ -	$ 474,828	$ (1,795,000)	$ 9,830,882

Certificates of Participation, 2001 Series C

In November 2001, the Los Angeles County Schools Regionalized Business Services Corporation entered into a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2001 Series C Certificates of Participation consisting of $10,740,000 current interest certificates and $4,466,501 capital appreciation certificates, with the value of the capital appreciation certificates accreting by $8,248,499, and an aggregate principal debt service balance of $23,455,000. The proceeds of the issue were used to purchase real property in the District. The certificates have a final maturity to occur on 5/1/2025, with interest rates ranging from 3.50 to 5.20 percent. As of June 30, 2020, the principal balance outstanding was $8,505,882 and unamortized premium of $188,904.

2010 Refunding Certificates of Participation, Series B

In December 2010, the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and buildings and improvements thereon. The Corporation issued the 2010 Refunding Certificates of Participation Series B to refund a portion of the District's outstanding Certificates of Participation, 2001 Series C, finance the construction, renovation, and modernization of school facilities, and pay the costs related to the execution and delivery of the Certificates. The Series B certificates consisted of $8,015,000 current interest certificates. The certificates have a final maturity to occur on 5/1/2024, with interest rates ranging from 2.00 to 5.00 percent. As of June 30, 2020, the principal balance outstanding was $1,325,000 and unamortized premium of $11,810.

Debt Service Requirements to Maturity

The certificates mature through 2025 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Unaccreted Interest	Current Interest to Maturity	Total
2021	$ 2,192,617	$ 57,383	$ 60,931	$ 2,310,931
2022	2,111,939	153,061	48,531	2,313,531
2023	2,039,709	245,291	32,531	2,317,531
2024	1,961,471	333,529	15,531	2,310,531
2025	1,525,146	419,854	-	1,945,000
Total	$ 9,830,882	$ 1,209,118	$ 157,524	$ 11,197,524

Supplemental Early Retirement Plan

The District offered an early retirement incentive program in 2019. Employees who were eligible to retire from CalSTRS or CalPERS and were at least 55 years old with at least five years of service to the District by June 30, 2019, were eligible to participate in the plan. The District contributed 80 percent of each participant's annual salary for the participant's last fiscal year of employment. There are 86 participants in the plan.

At June 30, 2020, future minimum payments on supplemental early retirement incentives were as follows:

Year Ending June 30,	Supplemental Early Retirement
2021	$ 1,014,968
2022	1,014,968
2023	1,014,968
2024	1,014,968
Total	$ 4,059,872

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $1,282,302.

Note 10 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	$ 52,365,011	$ 11,541,842	$ 2,921,623	$ 5,369,668
Medicare Premium Payment (MPP) Program	812,832	-	-	(41,370)
Total	$ 53,177,843	$ 11,541,842	$ 2,921,623	$ 5,328,298

The details of each plan are as follows:

Retiree Health Plan

Plan Administration

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act (PEMHCA), more commonly referred to as PERS Health. The Plan is an agent multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for PERS Health can be found on the CalPERS website at: http://calpers.ca.gov/pages/forms-publications

Management of the trustee assets is vested with the California Employers' Retiree Benefit Trust.

Plan Membership

At July 1, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	460
Active employees	1,316
Total	1,776

Benefits Provided

The District offers California Public Employees Medical and Hospital Care Act (PEMHCA) to its retirees. Certificated and management employees with at least ten years of full-time equivalent service and age 55 or over may retire with District-paid medical and dental benefits. Although the classified employee agreement does not specify minimum age and service requirements for retirement, the valuation presented here assumes that classified staff will be subject to the same provisions as the other groups. Retiree benefits are capped at the monthly premium of the least expensive health maintenance organization offered for the retiree only to age 65. Beginning at age 65 the District's contribution is reduced to the statutory minimum contribution required under PEMHCA.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Santa Monica-Malibu Classroom Teachers Association (SMMCTA), the Service Employees International Union Local 99 (SEIU), and unrepresented groups. The District contributions are based on pay-as-you-go financing requirements, which include the statutory minimum required monthly premium, plus an administrative fee, on behalf of each retiree. In addition, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to the provisions of the District's agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2020, the District contributed $1,906,398, to the Plan, all of which was used for current premiums.

Net OPEB Liability of the District

The District's net OPEB liability of $52,365,011, was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	$ 58,438,970
Plan fiduciary net position	(6,073,959)
Net OPEB liability	$ 52,365,011
Plan fiduciary net position as a percentage of the total OPEB liability	10.39%

Actuarial Assumptions

The total OPEB liability as of June 30, 2020, was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00	percent
Salary increases	3.00	percent, average, including inflation
Investment rate of return	5.00	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.90	percent for 2020

The retirees' share of benefit-related costs varies with the coverage selected.

The discount rate was based on the Fidelity 20 Years General Obligation Municipal Index.

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. If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2019.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	$ 50,995,517	$ 5,869,229	$ 45,126,288
Service cost	2,370,918	-	2,370,918
Interest	2,050,071	-	2,050,071
Employer contributions	-	1,906,398	(1,906,398)
Net investment income	-	209,781	(209,781)
Difference between expected and actual experience	(3,264,350)	-	(3,264,350)
Changes of assumptions and other inputs	8,193,212	-	8,193,212
Benefit payments	(1,906,398)	(1,906,398)	-
Administrative expense	-	(5,051)	5,051
Net change in total OPEB liability	7,443,453	204,730	7,238,723
Balance, June 30, 2020	$ 58,438,970	$ 6,073,959	$ 52,365,011

Changes of assumptions and other inputs reflect a change in the healthcare cost trends rate from 5.00 percent in 2019 to 5.90 percent in 2020.

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 one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.16%)	$ 61,858,825
Current discount rate (3.16%)	52,365,011
1% increase (4.16%)	44,646,133

Sensitivity of the Net OPEB Liability to Changes in the Healthcare 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 one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (4.90%)	$ 42,969,565
Current healthcare cost trend rate (5.90%)	52,365,011
1% increase (6.90%)	64,403,880

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30,2020, the District recognized OPEB expense of $5,369,668. At June 30,2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,875,737
Changes of assumptions	11,470,857	-
Net difference between projected and actual earnings on OPEB plan investments	70,985	45,886
Total	$ 11,541,842	$ 2,921,623

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,242,140
2022	1,242,140
2023	1,246,315
2024	1,258,827
2025	1,241,082
Thereafter	2,389,715
Total	$ 8,620,219

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $812,832 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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 districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.2183 percent, and 0.2232 percent, resulting in a net decrease in the proportionate share of 0.0049 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $(41,370).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2015 through June 30, 2017
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	5.00%	5.00%
Healthcare Cost Trend Rate	5.90%	5.00%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

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, 2019, 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.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.16%)	$ 886,986
Current discount rate (3.16%)	812,832
1% increase (4.16%)	744,652

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Healthcare Costs Trend Rate	Net OPEB Liability
1% decrease (4.90%)	$ 761,867
Current Medicare costs trend rate (5.90%)	812,832
1% increase (6.90%)	914,635

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 20,004	$ -	$ -	$ -	$ 20,004
Stores inventories	-	-	-	42,503	42,503
Prepaid expenditures	170,362	-	-	-	170,362
Total nonspendable	190,366	-	-	42,503	232,869
Restricted					
Legally restricted programs	5,604,354	-	-	866,574	6,470,928
Food service	-	-	-	359,804	359,804
Capital projects	-	208,013,401	-	20,612,636	228,626,037
Debt services	-	-	130,405,668	-	130,405,668
Total restricted	5,604,354	208,013,401	130,405,668	21,647,731	365,671,154
Committed					
Adult education program	-	-	-	296,241	296,241
Deferred maintenance program	-	-	-	797,907	797,907
Total committed	-	-	-	1,094,148	1,094,148
Assigned					
Child development	-	-	-	502,157	502,157
Retiree benefits	2,224,388	-	-	-	2,224,388
Total assigned	2,224,388	-	-	502,157	2,726,545
Unassigned					
Unassigned	22,054,105	-	-	-	22,054,105
Total	$ 30,073,213	$ 208,013,401	$ 130,405,668	$ 23,286,539	$ 391,778,821

Note 12 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2020, the District participated in Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts.

Employee Medical Benefits

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 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.

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 111,436,765	$ 28,915,751	$ 12,475,310	$ 12,743,857
CalPERS	64,090,590	13,915,245	2,569,251	10,303,703
Total	$ 175,527,355	$ 42,830,996	$ 15,044,561	$ 23,047,560

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $11,507,894.

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

At June 30, 2020, 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:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 111,436,765
State's proportionate share of the net pension liability	60,796,195
Total	$ 172,232,960

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1234 percent and 0.1243 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

For the year ended June 30, 2020, the District recognized pension expense of $12,743,857. In addition, the District recognized pension expense and revenue of $573,385 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,507,894	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,032,223	5,042,573
Differences between projected and actual earnings on pension plan investments	-	4,292,578
Differences between expected and actual experience in the measurement of the total pension liability	281,319	3,140,159
Changes of assumptions	14,094,315	-
Total	$ 28,915,751	$ 12,475,310

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (432,981)
2022	(3,407,802)
2023	(707,512)
2024	255,717
Total	$ (4,292,578)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 2,379,867
2022	2,867,251
2023	2,125,064
2024	3,138,086
2025	(848,342)
Thereafter	(436,801)
Total	$ 9,225,125

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 165,436,765
Current discount rate (7.10%)	111,436,765
1% increase (8.10%)	66,244,391

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP). under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $6,088,175.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $64,090,590. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.2199 percent and 0.2315 percent, resulting in a net decrease in the proportionate share of 0.0116 percent.

For the year ended June 30, 2020, the District recognized pension expense of $10,303,703. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,088,175	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	120,609	1,974,798
Differences between projected and actual earnings on pension plan investments	-	594,453
Differences between expected and actual experience in the measurement of the total pension liability	4,655,550	-
Changes of assumptions	3,050,911	-
Total	$ 13,915,245	$ 2,569,251

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 586,789
2022	(1,172,095)
2023	(177,616)
2024	168,469
Total	$ (594,453)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 4,261,499
2022	1,452,296
2023	125,889
2024	12,588
Total	$ 5,852,272

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 92,382,372
Current discount rate (7.15%)	64,090,590
1% increase (8.15%)	40,620,603

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan.

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 $6,350,356 (10.328 percent of annual payroll). 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 included in the calculation of available reserves but have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions totaling $2,130,123 have been recorded in these financial statements. On behalf payments related to these additional contributions have been included from the calculation of available reserves but have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

Note 14 - Commitments and Contingencies

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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Measure BB Projects		
Webster parking lot reconfiguration	$ 66,386	December 2020
Malibu modernization - new building	18,874,233	February 2021
Lincoln site improvement	12,154	December 2020
Olympic Modernization	82,565	December 2020
SAMOHI site improvement	55,440	December 2020
Measure ES Projects		
Technology	274,673	June 2022
Malibu	109,739	June 2022
SAMOHI	49,197	June 2022
Santa Monica - other	1,105,685	June 2022
Windows, floors, paint	1,909,014	September 2021
HVAC project	2,290,318	September 2021
Maple Street parking lot	2,249	December 2020
SAMOHI construction	69,036,765	September 2021
JAMS construction	5,039,504	April 2021
Lincoln construction	35,469	December 2020
Solar project	578,877	January 2021
Measure SMS Projects		
SMS central	360,180	Ongoing
SAMOHI interim repairs/upgrades project	1,052,898	Ongoing
SAMOHI discovery project	4,721,228	September 2021
SAMOHI phase III	6,441,687	September 2023
JAMS performing arts complex	16,199,998	April 2021
Windows, floors, paint	293,995	September 2022
HVAC project	1,041,930	September 2022
Project based learning - MBO	163,218	On hold
FF&E project	245,561	December 2021
Safety 7 security project	451,104	December 2021
Elementary school assessment project	531,136	April 2021
Middle school assessment project	124,832	April 2021
Lincoln modernization	91,148	September 2022
Measure M Projects		
Central	173,696	Ongoing
Malibu campus plan - phase 1	7,001,127	April 2024
Malibu schools alignment & playground project	1,167,257	January 2021
Malibu schools interim repairs	236,461	December 2020
Malibu schools HVAC projects	882,253	October 2020
FF&E project	47,600	December 2021
Safety and security projects	68,824	December 2021
Total	$ 140,818,401	

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Linked for Insurance Management (SLIM) joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its property and liability and workers' compensation coverage, respectively. The District pays premiums to ASCIP and SLIM for insurance coverage and related services received. The relationships between the District and the JPAs are such that they 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 statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2020, the District made payments of $1,306,548, and $7,610,209 to ASCIP and SLIM, respectively for property and liability and workers' compensation coverage, respectively.

Note 16 - Correction of an Error of Prior Year Net Position

The District's prior year governmental activities net position, fiduciary fund net position, and fund balance of the General Fund have been restated as of June 30, 2019 to correct errors reported in the prior year financial statements. Errors related to the calculations of general obligation bonded debt related to crossover refunding bonds and associated escrow accounts, deferred amounts on bond refunding, accreted interest, accrued interest, premiums and discounts related to general obligation bonds and certificates of participation. Additional errors related to the improper exclusion of the supplementary retirement payable in the prior year, and other calculation errors related to pension and OPEB. In addition, the prior year financial statements included the District's CalPERS trust related to OPEB as part of their fiduciary funds and other cash balances related to funds held in county treasury but not part of an irrevocable trust. As such, those funds are more properly classified as governmental.

As a result of the restatements described above, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 29,557,931
Reclassification of Retire Benefits Trust Fund to governmental activities	2,462,841
Deferred gain on refunding GO bonds	(4,431,089)
Deferred loss on refunding GO bonds	(11,646,467)
Accrued interest payable	(4,902,138)
General obligation bonds payable	(102,435,000)
Cash with fiscal agent - crossover bonds	106,233,465
General obligation bond interest accretion	568,851
General obligation bond premium	1,746,626
General obligation bond discount	77
Certificates of participation interest accretion	79
Certificates of participation premium	(41,836)
Supplemental early retirement payable	(5,074,840)
Net OPEB liability - MPP	(105,816)
Net pension liability	2,000
Deferred outflows - pension liability	5,744,893
Deferred inflows - pension liability	(12,221,907)
Net Position - Beginning, as Restated	$ 5,457,670
Fiduciary Funds - Retiree Benefits Trust Fund	
Net Position - Beginning	$ 8,332,070
Investments	(5,869,229)
Reclassification of Retire Benefits Trust Fund to governmental funds	(2,462,841)
Net Position - Beginning, as Restated	$ -
General Fund	
Fund Balance - Beginning	$ 27,501,458
Reclassification of Retire Benefits Trust Fund to governmental funds	2,462,841
Fund Balance - Beginning, as Restated	$ 29,964,299
Bond Interest and Redemption Fund	
Fund Balance - Beginning	$ 45,193,024
Cash with fiscal agent - crossover bonds	106,233,465
Fund Balance - Beginning, as Restated	$ 151,426,489

Note 17 - Subsequent Events

On July 14, 2020, the District issued the 2020 Refunding General Obligation Bonds in the amount of $74,720,000. The 2020 Refunding Bonds have a final maturity date of July 1, 2040, with interest rates ranging from 0.301 percent to 2.314 percent. The bonds were used to refinance portions of the 2013 Refunding; the Election of 2006, Series D; and the Election of 2012, Series A and Series B, General Obligation Bonds.

On December 3, 2020, the District issued the 2020 Certificates of Participation in the amount of $25,720,000. The 2020 Certificates have a final maturity date of May 1, 2042, with an interest rate of 4.00 percent. The certificates were used to refinance outstanding 2010 Refunding Certificates of Participation Series B.

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

Santa Monica-Malibu Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula				
State approtionments	$ 8,585,843	$ 8,585,843	$ 8,585,921	$ 78
Education protection account state aid	2,000,000	1,511,848	2,018,542	506,694
Local sources	89,769,181	92,103,896	90,896,931	(1,206,965)
Federal sources	4,172,786	4,761,827	3,824,863	(936,964)
Other State sources	3,590,548	3,843,102	12,091,562	8,248,460
Other local sources	51,440,166	52,903,966	54,428,923	1,524,957
Total revenues [1]	159,558,524	163,710,482	171,846,742	8,136,260
Expenditures				
Current				
Certificated salaries	66,754,498	67,118,031	66,265,719	852,312
Classified salaries	30,745,635	30,559,829	30,149,435	410,394
Employee benefits	42,396,766	41,015,775	49,091,652	(8,075,877)
Books and supplies	6,513,649	7,953,483	3,390,929	4,562,554
Services and operating expenditures	17,190,735	22,074,417	20,313,192	1,761,225
Other outgo	139,649	482,995	(1,186,499)	1,669,494
Capital outlay	(538,963)	(568,404)	256,911	(825,315)
Debt service				
Debt service - principal	-	71,752	-	71,752
Debt service - interest and other	-	534,739	606,489	(71,750)
Total expenditures [1]	163,201,969	169,242,617	168,887,828	354,789
Excess (Deficiency) of Revenues Over Expenditures	(3,643,445)	(5,532,135)	2,958,914	8,491,049
Other Financing Uses				
Transfers out	(2,850,000)	(2,550,000)	(2,850,000)	(300,000)
Net Change in Fund Balances	(6,493,445)	(8,082,135)	108,914	8,191,049
Fund Balance - Beginning, as restated	29,964,299	29,964,299	29,964,299	-
Fund Balance - Ending	$ 23,470,854	$ 21,882,164	$ 30,073,213	$ 8,191,049

[1] On behalf payments of $6,350,356, are included in the actual revenues and expenditures but have not been included in the budgeted amounts. In addition, on behalf payments of $2,130,123, relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 2,370,918	$ 2,077,187	$ 2,016,686
Interest	2,050,071	2,100,375	1,974,060
Difference between expected and actual experience	(3,264,350)	-	-
Changes of assumptions	8,193,212	5,561,651	-
Benefit payments	(1,906,398)	(1,484,273)	(1,445,115)
Net change in total OPEB liability	7,443,453	8,254,940	2,545,631
Total OPEB Liability - Beginning	50,995,517	42,740,577	40,194,946
Total OPEB Liability - Ending (a)	$ 58,438,970	$ 50,995,517	$ 42,740,577
Plan Fiduciary Net Position			
Contributions - employer	$ 1,906,398	$ 1,484,273	$ 2,445,115
Net investment income	209,781	343,772	311,899
Benefit payments	(1,906,398)	(1,484,273)	(1,445,115)
Administrative expense	(5,051)	(4,713)	(4,176)
Net change in plan fiduciary net position	204,730	339,059	1,307,723
Plan Fiduciary Net Position - Beginning	5,869,229	5,530,170	4,222,447
Plan Fiduciary Net Position - Ending (b)	$ 6,073,959	$ 5,869,229	$ 5,530,170
Net OPEB Liability - Ending (a) - (b)	$ 52,365,011	$ 45,126,288	$ 37,210,407
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.39%	11.51%	12.94%
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Net OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

[1] The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

	2020	2019	2018
Actuarially determined contribution	$ 3,735,294	$ 3,767,554	$ 3,657,819
Contribution in relation to the actuarially determined contribution	1,906,398	1,484,273	2,445,115
Contribution deficiency (excess)	$ 1,828,896	$ 2,283,281	$ 1,212,704
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Contributions as a percentage of covered payroll	N/A[1]	N/A[1]	N/A[1]

[1] Contributions are not made based on a measure of pay.
Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.2183%	0.2232%	0.2314%
Proportionate share of the net OPEB liability	$ 812,832	$ 854,202	$ 994,653
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[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.

Note : In the future, as data becomes available, ten years of information will be presented.

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.1234%	0.1243%	0.1278%	0.1242%	0.1318%	0.1260%
Proportionate share of the net pension liability	$ 111,436,765	$ 114,272,455	$ 118,214,471	$ 100,480,053	$ 88,739,307	$ 73,375,330
State's proportionate share of the net pension liability	60,796,195	68,048,603	71,711,086	61,767,308	46,933,185	44,307,192
Total	$ 172,232,960	$ 182,321,058	$ 189,925,557	$ 162,247,361	$ 135,672,492	$ 117,682,522
Covered payroll	$ 67,555,147	$ 67,206,168	$ 67,800,668	$ 63,504,492	$ 60,268,419	57,309,309
Proportionate share of the net pension liability as a percentage of its covered payroll	164.96%	170.03%	174.36%	158.23%	147.24%	128.03%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.2199%	0.2315%	0.2303%	0.2312%	0.2325%	0.2310%
Proportionate share of the net pension liability	$ 64,090,590	$ 61,732,127	$ 54,968,070	$ 45,665,948	$ 34,274,607	$ 26,174,060
Covered payroll	$ 30,586,469	$ 30,836,411	$ 29,392,792	$ 27,759,137	$ 25,758,704	24,305,768
Proportionate share of the net pension liability as a percentage of its covered payroll	209.54%	200.19%	187.01%	164.51%	133.06%	107.69%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$11,507,894	$10,997,978	$ 9,697,850	$ 8,529,324	$ 6,814,032	$ 5,351,837
Less contributions in relation to the contractually required contribution	11,507,894	10,997,978	9,697,850	8,529,324	6,814,032	5,351,837
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$67,297,626	$67,555,147	$67,206,168	$67,800,668	$63,504,492	$60,268,435
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 6,088,175	$ 5,524,528	$ 4,789,203	$ 4,082,071	$ 3,288,625	$ 3,032,060
Less contributions in relation to the contractually required contribution	6,088,175	5,524,528	4,789,203	4,082,071	3,288,625	3,032,060
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$30,871,533	$30,586,469	$30,836,411	$29,392,792	$27,759,137	$25,758,729
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan healthcare cost trends rate was changed from 5.00 percent to 5.90 percent since the previous valuation .

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2020

Santa Monica-Malibu Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Basic Education and ESL	84.002A	14508	$ 25,330
Adult Secondary Education	84.002	13978	12,100
Subtotal			37,430
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,135,944
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	1,049
Subtotal			1,136,993
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	45,765
Title II, Part A, Supporting Effective Instruction	84.367	14341	203,554
Title III, English Learner Student Program	84.365	14346	63,932
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	47,444
Passed through Tri-City SELPA			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,209,191
Preschool Grants, Part B, Sec 619	84.173	13430	58,885
Subtotal Special Education (IDEA) Cluster			2,268,076
Early Intervention Grants, Part C	84.181	23761	59,099
Total U.S. Department of Education			3,862,293
U.S. Department of Health and Human Services Human Services			
Passed through Los Angeles County Office of Education			
Head Start [1]	93.600	10016	16,927
Total U.S. Department of Health and Human Services Human Services			16,927
U.S. Department of Agriculture			
Passed Through Los Angeles County Office of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	625,252
School Breakfast Program - Especially Needy Breakfast	10.553	13526	107,767
School Breakfast Program - National School Breakfast	10.553	13590	2,935
National School Lunch Program - Summer Food Program	10.559	13004	149,924
National School Lunch Program - Commodity Supplemental Food	10.555	13396	139,556
Total Child Nutrition Cluster			1,025,434
Child and Adult Care Food Program	10.558	13393	85,520
Total U.S. Department of Agriculture			1,110,954
Total Expenditures of Federal Awards			$ 4,990,174

[1] In-kind contribution - $18,747.

ORGANIZATION

The Santa Monica-Malibu Unified School District was established in 1875 and consists of an area comprising the City of Santa Monica, the City of Malibu, and unincorporated areas of Malibu in Los Angeles County. The District operates nine elementary schools, three middle schools, two high schools, one continuation high school, one alternative school, one adult school, and 11 child care and development centers. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jon Kean	President	2020
Laurie Lieberman	Vice President	2022
Oscar de la Torre	Member	2022
Craig Foster	Member	2022
Maria Leon-Vazquez	Member	2020
Ralph Mechur	Member	2020
Dr. Richard Tahvildaran-Jesswein	Member	2022

ADMINISTRATION

NAME	TITLE
Dr. Ben Drati	Superintendent
Ms. Melody Canady	Assistant Superintendent, Fiscal and Business Services
Dr. Mark Kelly	Assistant Superintendent, Human Resources
Dr. Jacqueline Mora	Assistant Superintendent, Educational Services

	Final Report Second Period Report E9C98D4A	Final Report Annual Report D842E775
Regular ADA		
Transitional kindergarten through third	2,783.99	2,783.99
Fourth through sixth	2,212.54	2,212.54
Seventh and eighth	1,632.28	1,632.28
Ninth through twelfth	3,179.58	3,179.58
Total Regular ADA	9,808.39	9,808.39
Extended Year Special Education		
Transitional kindergarten through third	6.70	6.70
Fourth through sixth	4.30	4.30
Seventh and eighth	0.63	0.63
Ninth through twelfth	3.87	3.87
Total Extended Year Special Education	15.50	15.50
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.25	1.25
Fourth through sixth	2.69	2.69
Seventh and eighth	1.58	1.58
Ninth through twelfth	9.92	9.92
Total Special Education, Nonpublic, Nonsectarian Schools	15.44	15.44
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.06	0.06
Fourth through sixth	0.13	0.13
Seventh and eighth	0.24	0.24
Ninth through twelfth	0.79	0.79
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.22	1.22
Total ADA	9,840.55	9,840.55

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	42,275	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,620	180	N/A	Complied
Grade 2		53,620	180	N/A	Complied
Grade 3		53,925	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,760	180	N/A	Complied
Grade 5		54,760	180	N/A	Complied
Grade 6		55,530	180	N/A	Complied
Grade 7		55,530	180	N/A	Complied
Grade 8		55,530	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,950	180	N/A	Complied
Grade 10		64,950	180	N/A	Complied
Grade 11		64,950	180	N/A	Complied
Grade 12		64,950	180	N/A	Complied

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Adult Education Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
Fund Balance					
Balance, June 30, 2020, Unaudited Actuals	$ 27,848,825	$ 851,124	$ 402,307	$ 15,988,916	$ 75,090,637
Beginning balance restatement for Fund 71	2,462,841	-	-	-	-
Current year changes in Fund 71 reported in General Fund					
Decrease in investments	(239,272)	-	-	-	-
Increase in accounts receivable	4,987	61,016	49,892	-	-
Increase in accounts payable	(4,168)	-	-	-	-
Decrease in accounts receivable	-	-	-	(302,191)	-
Increase in cash with fiscal agent	-	-	-	-	55,315,031
Balance, June 30, 2020, Audited Financial Statements	$ 30,073,213	$ 912,140	$ 452,199	$ 15,686,725	$ 130,405,668

	(Budget) 2021 [1]	2020	2019	2018
General Fund [4]				
Revenues	$ 160,343,989	$ 171,818,095	$ 160,878,644	$ 170,121,772
Other sources	250,000	-	-	-
Total Revenues and Other Sources	160,593,989	171,818,095	160,878,644	170,121,772
Expenditures	164,977,518	168,620,728	163,314,366	162,544,043
Other uses and transfers out	3,100,000	2,850,000	-	-
Total Expenditures and Other Uses	168,077,518	171,470,728	163,314,366	162,544,043
Prior-period adjustment	-	-	(8,861,132)	-
Increase/(Decrease) in Fund Balance	(7,483,529)	347,367	(11,296,854)	7,577,729
Ending Fund Balance	$ 20,365,296	$ 27,848,825	$ 27,501,458	$ 38,798,312
Available Reserves [2]	$ 15,032,069	$ 22,054,105	$ 5,017,101	$ 7,464,493
Available Reserves as a Percentage of Total Outgo [3]	8.94%	12.86%	3.31%	4.59%
Long-Term Liabilities	N/A	$ 1,073,872,731	$ 750,514,361	$ 638,341,301
K-12 Average Daily Attendance at P-2	9,783	9,841	10,092	10,303

The General Fund balance has decreased by $10,949,487 over the past two years. The fiscal year 2020-2021 budget projects a further decrease of $7,483,529 (26.9 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $381,221,430 over the past two years.

Average daily attendance has decreased by 462 over the past two years. An additional decline of 58 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments of $11,826,881, have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.
[4] For purposes of this schedule, the General Fund does not include the financial activity related to the consolidation of Fund 71 as required by GASB Statement No. 54.

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets				
Deposits and investments	$ 871,453	$ 1,037,318	$ 440,185	$ 933,107
Receivables	2,770	47,620	3,783	2,908
Due from other governments	81,547	167,177	103,708	-
Stores inventories	-	-	42,503	-
Total assets	$ 955,770	$ 1,252,115	$ 590,179	$ 936,015
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 43,630	$ 417,145	$ 137,980	$ 138,108
Unearned revenue	-	21,122	-	-
Total liabilities	43,630	438,267	137,980	138,108
Fund Balances				
Nonspendable	-	-	42,503	-
Restricted	615,899	311,691	409,696	-
Committed	296,241	-	-	797,907
Assigned	-	502,157	-	-
Total fund balances	912,140	813,848	452,199	797,907
Total liabilities and fund balances	$ 955,770	$ 1,252,115	$ 590,179	$ 936,015

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets			
Deposits and investments	$ 4,943,293	$ 15,727,778	$ 23,953,134
Receivables	210,296	36,119	303,496
Due from other governments	-	-	352,432
Stores inventories	-	-	42,503
Total assets	$ 5,153,589	$ 15,763,897	$ 24,651,565
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 529,869	$ 77,172	$ 1,343,904
Unearned revenue	-	-	21,122
Total liabilities	529,869	77,172	1,365,026
Fund Balances			
Nonspendable	-	-	42,503
Restricted	4,623,720	15,686,725	21,647,731
Committed	-	-	1,094,148
Assigned	-	-	502,157
Total fund balances	4,623,720	15,686,725	23,286,539
Total liabilities and fund balances	$ 5,153,589	$ 15,763,897	$ 24,651,565

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues				
Federal sources	$ 37,430	$ 102,447	$ 1,025,434	$ -
Other State sources	791,683	2,508,047	64,392	-
Other local sources	18,542	3,909,380	1,128,586	15,982
Total revenues	847,655	6,519,874	2,218,412	15,982
Expenditures				
Current				
Instruction	245,586	5,945,619	-	-
Instruction-related activities				
Supervision of instruction	-	525,584	-	-
School site administration	313,285	796,160	-	-
Pupil services				
Food services	-	277,339	2,904,512	-
All other pupil services	43,728	111,232	-	-
Administration				
All other administration	32,888	421,047	142,520	-
Plant services	33,882	132,887	-	728,094
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	669,369	8,209,868	3,047,032	728,094
Excess (Deficiency) of Revenues Over Expenditures	178,286	(1,689,994)	(828,620)	(712,112)
Other Financing Sources (Uses)				
Transfers in	-	1,200,000	900,000	750,000
Net Financing Sources (Uses)	-	1,200,000	900,000	750,000
Net Change in Fund Balances	178,286	(489,994)	71,380	37,888
Fund Balance - Beginning	733,854	1,303,842	380,819	760,019
Fund Balance - Ending	$ 912,140	$ 813,848	$ 452,199	$ 797,907

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues			
Federal sources	$ -	$ -	$ 1,165,311
Other State sources	-	-	3,364,122
Other local sources	2,015,875	4,681,121	11,769,486
Total revenues	2,015,875	4,681,121	16,298,919
Expenditures			
Current			
Instruction	-	-	6,191,205
Instruction-related activities			
Supervision of instruction	-	-	525,584
School site administration	-	-	1,109,445
Pupil services			
Food services	-	-	3,181,851
All other pupil services	-	-	154,960
Administration			
All other administration	-	-	596,455
Plant services	674,564	333,898	1,903,325
Debt service			
Principal	-	1,795,000	1,795,000
Interest and other	-	72,553	72,553
Total expenditures	674,564	2,201,451	15,530,378
Excess (Deficiency) of Revenues Over Expenditures	1,341,311	2,479,670	768,541
Other Financing Sources (Uses)			
Transfers in	-	-	2,850,000
Net Financing Sources (Uses)	-	-	2,850,000
Net Change in Fund Balances	1,341,311	2,479,670	3,618,541
Fund Balance - Beginning	3,282,409	13,207,055	19,667,998
Fund Balance - Ending	$ 4,623,720	$ 15,686,725	$ 23,286,539

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Santa Monica-Malibu Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. The information 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). Because the schedule presents only a selected portion of the operations of the Santa Monica-Malibu Unified School District, it is not intended to and does not present the financial position, changes in net position or fund balance of the Santa Monica-Malibu Unified School District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed in the amount of $139,556. At June 30, 2020, the fair market value of food commodities in inventory was insignificant.

SEFA Reconciliation
The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of general obligation bond federal interest subsidy funds that are not required to be reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues reported on the financial statements		$ 6,721,953
Federal interest subsidy	N/A	(1,731,779)
Total schedule of expenditures of federal awards		$ 4,990,174

Local Education Agency 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 apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 52 days due to the pandemic. As a result, the District received credit for these 52 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Reports
June 30, 2020

Santa Monica-Malibu Unified School District

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*

To the Board of Directors
Santa Monica-Malibu Unified School District
Santa Monica, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Santa Monica-Malibu Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Santa Monica-Malibu Unified School District's basic financial statements and have issued our report thereon dated February 18, 2021.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the District's prior-year governmental activities net position, fiduciary fund net position, and fund balance for the General Fund have been restated as of June 30, 2019 to correct certain errors noted during our audit of the beginning balances. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Monica-Malibu Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Monica-Malibu Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Monica-Malibu Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying *Schedule of Financial Statement Findings,* as items 2020-001 and 2020-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Monica-Malibu Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Santa Monica-Malibu Unified School District's response to the finding identified in our audit are described in the accompanying *Schedule of Financial Statement Findings*. Santa Monica-Malibu Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Santa Monica-Malibu Unified School District in a separate letter dated February 18, 2021.

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.

Eide Bailly LLP

Rancho Cucamonga, California
February 18, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Santa Monica-Malibu Unified School District
Santa Monica, California

Report on Compliance for Each Major Federal Program
We have audited Santa Monica-Malibu Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Monica-Malibu Unified School District's major federal programs for the year ended June 30, 2020. Santa Monica-Malibu Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Santa Monica-Malibu Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Monica-Malibu Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Santa Monica-Malibu Unified School District's compliance.

Opinion on Each Major Federal Program
In our opinion, Santa Monica-Malibu Unified School District‘s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance
Management of Santa Monica-Malibu Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Santa Monica-Malibu Unified School District‘s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Santa Monica-Malibu Unified School District‘s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 18, 2021

Independent Auditor's Report on State Compliance

To the Board of Directors
Santa Monica-Malibu Unified School District
Santa Monica, California

Report on State Compliance

We have audited Santa Monica-Malibu Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit 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 the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform procedures for Independent Study because the independent study ADA was below the materiality level that requires testing.

We did not perform procedures for Continuation Education because the ADA from the program was below the materiality level that requires testing.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts
As described in the accompanying Schedule of State Compliance Findings and Questioned Costs, finding 2020-003, Santa Monica-Malibu Unified School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for Santa Monica-Malibu Unified School District to comply with the requirements referred to above.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Monica-Malibu Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Santa Monica-Malibu Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs.* Santa Monica-Malibu Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs
In our opinion, Santa Monica-Malibu Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying Schedule of State Compliance Findings and Questioned Costs.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 18, 2021

Schedule of Findings and Questioned Costs
June 30, 2020

Santa Monica-Malibu Unified School District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	10.555, 10.553, 10.559
Title I, Part A	84.010

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified*

*Unmodified for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

The following findings represent material weaknesses related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2020-001 Code 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified significant misstatements of the beginning balances presented within the District's Statement of Net Position and Retiree Benefit Trust Fund, as reported on the 2018-2019 audited financial statements. The misstatements were caused by errors, which have been detailed in Note 16.

As detailed in Note 16, restatements due to errors resulted in a $24,100,261 decrease in the District's government-wide net position, a $5,869,229 decrease in the Retiree Benefit Trust Fund net position, a reclassification of the Retiree Benefits Trust Fund to governmental funds of $2,462,841 as reported on the 2018-2019 audited financial statements, and a $106,233,465 increase to the Bond Interest and Redemption Fund for the crossover bond escrow account that was not previously reported.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The conditions were identified as a result of our initial audit of the beginning balances as of July 1, 2019. During our review of available District records and audit procedures performed related to prior period ending balances, the errors noted were identified.

Effect

Due to the net effect of the conditions identified, the District's prior period ending net position was overstated by $24,100,261, the Retiree Benefit Trust Fund balance was overstated by $5,869,229, an additional $2,462,841 in the Retiree Benefit Trust Fund was reclassified to governmental funds in accordance with GASB 54, and the Bond Interest and Redemption Fund was understated by $106,233,465. The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the related conversion entries in preparation of the government-wide financial statements.

Repeat Finding

No

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan/Views of Responsible Official

The District concurs with the finding.

In order to prevent future findings related to internal control, District management will review all adjusting entries, reclassifying entries, and conversion entries for accuracy prior to the final year-end financial statements being published.

Additionally, staff will recommend an in-dept review of a draft year-end financial statement conducted by the Financial Oversight Committee and possible subcommittee.

Lastly, if necessary, the District will consult with other audit firms or independent contractors as to the accuracy and validity of the year-end financial statements specific to potential misstatements of beginning balances, government-wide conversion entries, and fund balances.

It is the view of the District, that staff can no longer depend on audit firms to accurately apply conversion entries as well as produce government-wide statements free from material error.

These additional review procedures were implemented after the finding was cited in the audit and presented to the District management.

2020-002 Code 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries necessary to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we noted that amounts that had been accurately accrued as accounts receivable as of June 30, 2019, were received during the 2019-2020 fiscal year. However, the amounts were posted as revenue during the current year rather than clearing the accrual. Additionally, during our review of cash received subsequent to June 30, 2020, we noted several items that should have been recognized as revenue for 2019-2020 and accrued as accounts receivable at year end but were not. The net effect of these adjustments was a reduction in the accounts receivable balance in the Non-Major Governmental Funds of $191,283. In addition, accounts receivable of $901,460 in the General Fund was also not properly cleared in the current year. While this amount was not adjusted as it was not deemed to materially misstate the General Fund, the uncorrected misstatement still reflects the material weakness described here.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The conditions were identified as a result of our audit of the financial statement balances as of June 30, 2020. During our review of available District records and audit procedures performed related to prior period and current year ending balances, the errors noted were identified.

Effect

The net effect of the current-year adjustments was a reduction in the accounts receivable balance in the Non-Major Governmental Funds of $191,283.

The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the review of revenues and accounts receivable to determine their proper reporting period.

Repeat Finding

No

Recommendation

A thorough review of the District's financial statements should take place before the financial statements are finalized by the District's business department. Revenue transactions should be analyzed to determine the proper reporting period for each.

Corrective Action Plan/Views of Responsible Official

The District concurs with the finding.

In order to prevent future findings related to accounts receivable accruals, District management will ensure staff maintain an active listing of current year receivables.

The receivables accrual listing will be reviewed at each of the three interim reporting periods throughout the year for First Interim, Second Interim, and Third Budget Revision to ensure accrual adjusting entries are made should the receivable materialize.

Additionally, during the year-end closing, staff will launch a financial report of all accruals and compare the accruals within the report to the maintained listing of receivable accruals. This cross-referencing will ensure each accrual entry is accounted for by year-end closing.

Lastly, if necessary, staff will seek assistance from the District's oversight agency, the Los Angeles County Office of Education (LACOE), to ensure the financial reports launched for the comparison of accruals are the most accurate report to use within the new county-wide financial system that was implemented in July of 2019.

These additional review procedures were implemented after the finding was cited in the audit and presented to the District management.

None reported.

The following finding represents instances of noncompliance and/or questioned costs relating to compliance with state laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-003 Code 40000

Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states that local educational agencies may review and revise the submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Local Control Funding Formula (LCFF) Unduplicated Pupil Percentage (UPP) submitted to the California Department of Education was inaccurate. It appears that the District has included students in the Free and Reduced-Price Meal category on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report who did not qualify for free or reduced-price meals in the District's Child Nutrition program. The District was unable to provide documentation supporting the inclusion of 17 of the 66 students in the sample selected for the testing of this category. When the error rate is extrapolated to the population of students reported, it appears that 818 students may be misclassified.

Questioned Costs

Using CDE's penalty calculator, the projected audit penalty is $447,271 for the 818 exceptions. Because the District is a locally funded (property tax) District, CDE will need to determine the true impact of the error.

Context

We identified the condition when we requested meal applications showing that students were eligible for free or reduced-price meals in the Child Nutrition program. The students were selected from a sample of pupils in the Free and Reduced-Price Meal category on the CALPADS report 1.18. The District Child Nutrition Department noted that the 17 students selected in our sample did not have meal applications on file even though they were reported on CALPADS as free or reduced-priced eligible.

Effect

The District did not update the CALPADS data the Child Nutrition program completed its eligibility review. This resulted in an overstatement of the UPP.

District Code	School Name	Total Enrollment	Total Unduplicated FRPM/EL Eligible Count	Adjustment to FRPM	Total Adjusted Unduplicated Count
19-6498	Santa Monica-Malibu Unified School District	10,349	3,175	(818)	2,357

Cause

It appears that the District did not update the CALPADS data set after the Child Nutrition Program updated eligibility rolls prior to the CALPADS census date in October 2019.

Repeat Finding

Yes – see prior year finding 2019-001

Recommendation

The District should ensure that all information in the CALPADS is updated prior to certifying.

Corrective Action Plan/View of Responsible Officials

The District concurs with the finding.

As the finding originated with data from the Food Services point of sale system, the Director of Food Services has incorporated into his departmental process that that free and reduced eligible students will be cross-referenced and reconciled with the CalPADS system. This reconciliation will ensure that the data in the Food Services point of sale system matches what is reported in CalPADS and ultimately what is included on the report entitled "1.18 – FRPM/English Learner/Foster Youth – Student List".

Additionally, at the crux of this particular finding is the original application designation; the Food Services Administrative Assistant will ensure that each form that are marked 'free or reduced' is input into the food services system with the same corresponding indicator and reason code as delineated on the submitted application. Furthermore, applications with this reason code will undergo dual validation by both the Administrative Assistant and the Director of Food Services. By implementing this additional internal test specifically for 'free and reduced benefits', this will ensure that the District does not overstate those students who are free and reduced eligible and ultimately those whom are part of the District's Unduplicated Pupil Percentage.

As COVID-19 surged, this placed demands on the District for free and reduced lunch application processing that surpassed the capacity of the District to reconcile between these platforms during the pandemic in a remote environment – the first and foremost priority of the District was to meet the immediate needs of students facing unexpected and urgent food insecurity.

Lastly, the Director of Assessment, Research, & Evaluation will ensure that CalPADS system is receiving regular updates with the information that is pulled from the Food Services data system prior to the October census/CBEDS day certification. This confirmation of updated data will be validated by the Education Data Specialist.

These procedures were implemented after the finding was cited in the audit and presented to the District management.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Findings

2019-001 Code 40000

Criteria or Specific Requirements

Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day. The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by tot enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition

Reviewed supporting documentation for students identified as free or reduced-price meal eligibility pupil (FRPM) on the CALPADS report and noted the following:

District incorrectly classified some students that stated refused benefits in the eligibility forms as FRPM during fiscal year 2018-2019. The District generated a report from the cafeteria POS system to identify the students marked refused benefits in the reason box. The district overstated 7 FRPM students.

Questioned Costs

The amount determined by using the California Department of Education's audit penalty calculator was $3,449.

Context

We noted a total of 7 exceptions out of a sample size of 200.

Effect

The District overstated 7 FRPM students.

Cause

Lack of communication between departments to update the student eligibility information.

Repeat Finding

No

Recommendation

The District should review the free or reduced meal eligibility forms to ensure all students are correctly reported in CALPADS.

Current status

Not implemented, see current year finding 2020-003

CPAs & BUSINESS ADVISORS

Management
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 (the District) for the year ended June 30, 2020, 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 February 18, 2021, on the government-wide financial statements of the District.

Associated Student Body (ASB)

John Adams Middle School

Observation:
- During our review of the ASB internal controls, we noted that of seven deposits selected for testing, five contained cash receipts that were not deposited timely. The delay in deposits ranged from 11 to 81 days from the date of the earliest receipt included.

Recommendation:
- Deposits should be made weekly at a minimum to minimize the amount of cash held at the site. The District should establish and communicate specific guidelines for timely deposit procedures including how often deposits should be made and the maximum cash on hand that should be maintained at the site.

Malibu High School

Observations:
During our review of the ASB internal controls, we noted the following:
- Of seven deposits selected for testing, two contained cash receipts that were not deposited timely. The delay in deposits ranged from 12 to 14 days from the date of the earliest receipt included.
- Revenue potential forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track collections and items purchased for sales. Revenue potential forms were not complete for the two fundraisers selected for testing.

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Recommendations:

- Deposits should be made weekly at a minimum to minimize the amount of cash held at the site. The District should establish and communicate specific guidelines for timely deposit procedures including how often deposits should be made and the maximum cash on hand that should be maintained at the site.
- As the revenue potential form is a vital internal control tool, it should be used to document, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the students and staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

<u>Santa Monica High School</u>

Observation:

- During our audit of yearend balances, we noted an investment account on the ASB Account Analysis in the amount of $46,195. Upon inquiry, the site staff disclosed that the account had been closed in 2014, and that the proceeds were deposited into the ASB's general bank account. However, the sum of the existing bank account and the investment account materially agrees to the sum of the trust accounts listed.

Recommendation:

- District staff should determine whether the funds were transferred to the general bank account as stated by site staff in order to determine the correct bookkeeping entry to adjust the current financial statements. Since the investment balance is included in the trust account balances, these must be reduced to reflect the reduced cash/investment balance.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
February 18, 2021

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.*

The historical data and results presented in the tables that follow may differ materially from future results as a result of economic or other factors. For more information on the impact of the COVID-19 pandemic, see "SECURITY FOR THE BONDS – Disclosure Relating to COVID-19" herein. See also references to COVID-19 in the section entitled "PROPERTY TAXATION", and in APPENDIX B under the heading "DISTRICT GENERAL INFORMATION" and "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

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 approximately 92,968. 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 approximately 11,537. 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 2017 through 2021

	2017	2018	2019	2020	2021
City of Santa Monica	93,763	93,650	93,309	92,995	92,968
City of Malibu	12,788	12,707	11,700	11,608	11,537
Los Angeles County	10,181,162	10,192,593	10,163,139	10,135,614	10,044,458
State of California	39,352,398	39,519,535	39,605,361	39,648,938	39,466,855

Source: California Department of Finance estimates.

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Employment and Industry

The seasonally adjusted unemployment rate in the County decreased over the month to 11.7% in April 2021, from a revised 11.4% in March 2021 and was below the rate of 18.3% one year ago. Civilian employment decreased by 9,000 to 4,535,000 in April 2021, while unemployment increased by 21,000 to 602,000. The civilian labor force increased by 29,000 over the month to 5,136,000 in April 2021. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the County was 11.0% in April 2021.

The California seasonally adjusted unemployment rate was 8.3% in April 2021, 8.3% in March 2021, and 16.0% a year ago in April 2020. The comparable estimates for the nation were 6.1% in April 2021, 6.0% in March 2021, and 14.8% 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 2020 Benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force(1)	5,018,900	5,088,900	5,094,300	5,122,800	4,921,500
Employment	4,751,200	4,843,700	4,857,300	4,888,600	4,291,700
Unemployment	267,700	245,200	237,000	234,300	629,800
Unemployment Rate	5.3%	4.8%	4.7%	4.6%	12.8%
Wage and Salary Employment: (2)					
Agriculture	5,300	5,700	4,600	4,400	4,400
Mining and Logging	2,400	2,000	1,900	1,900	1,700
Construction	134,000	138,700	146,300	149,800	145,500
Manufacturing	362,000	350,400	342,600	340,700	313,800
Wholesale Trade	222,100	221,500	223,200	220,500	200,100
Retail Trade	424,600	426,100	424,800	417,900	378,600
Trans., Warehousing, Utilities	188,900	198,200	203,600	213,000	208,600
Information	229,400	214,900	216,400	217,900	185,800
Financial and Insurance	138,100	137,500	136,500	135,200	131,500
Real Estate, Rental & Leasing	81,700	84,100	86,700	88,200	80,100
Professional and Business Services	603,000	612,100	630,400	643,900	593,300
Educational and Health Services	769,900	797,400	817,900	839,900	820,900
Leisure and Hospitality	510,000	524,600	536,500	547,200	394,400
Other Services	153,300	155,700	158,800	158,400	127,000
Federal Government	47,700	48,000	47,300	47,300	50,200
State Government	89,900	92,500	91,700	86,500	85,200
Local Government	439,100	445,600	451,600	453,000	430,300
Total All Industries (3)	4,401,400	4,454,900	4,520,700	4,565,800	4,151,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals 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 June 2021, in alphabetical order.

LOS ANGELES COUNTY
Largest Employers
June 2021

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Health Care Management
Cedars-Sinai Health System	West Hollywood	Health Care Management
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
JET Propulsion Laboratory	Pasadena	Research Service
Kaiser Permanente Los Angeles	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
National Institutes of Health	Pasadena	Physicians & Surgeons
Northrop Grumman	Whittier	Engineers
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
Space Exploration Tech Corp	Hawthorne	Aerospace Industries (mfrs)
Twentieth Century Fox	Los Angeles	Motion Picture Producers & Studios
UCLA Community Based Learning	Los Angeles	Junior-Community College-Tech Institutes
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Ca Los Angeles	Los Angeles	University-College Dept/Facility/Office
USPS	Los Angeles	Post Offices
Vision X	Los Angeles	Call Centers
Walt Disney Co	Burbank	Water Parks
Water Garden Management	Santa Monica	Office Buildings & Parks

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2021 1st 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.

Total taxable sales during calendar year 2020 in Santa Monica were reported to be $2,458,153,168, a 27.16% decrease over the total taxable sales of $3,374,654,848 reported during calendar year 2019.

CITY OF SANTA MONICA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2016 through 2020
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	3,346	$2,457,171	5,153	$3,237,178
2017	3,279	2,391,704	5,088	3,225,239
2018	3,224	2,418,485	5,318	3,340,563
2019	3,313	2,341,912	5,531	3,374,655
2020	3,464	1,579,496	5,886	2,458,153

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2020 in Malibu were reported to be $274,150,315, a 17.20% decrease over the total taxable sales of $331,085,444 reported during calendar year 2019.

CITY OF MALIBU
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2016 through 2020
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	556	$283,572	871	$313,303
2017	559	292,029	869	320,330
2018	541	289,731	893	320,151
2019	560	296,381	921	331,085
2020	602	244,249	1,001	274,150

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2020 in the County were reported to be $155,678,156,385, a 9.37% decrease over the total taxable sales of $171,776,327,181 reported during calendar year 2019.

LOS ANGELES COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2016 through 2020
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	196,929	$109,997,043	311,295	$154,208,333
2017	197,452	113,280,347	313,226	159,259,356
2018	200,603	119,145,054	328,047	166,023,796
2019	206,732	122,137,664	342,359	171,776,327
2020	226,643	112,044,029	376,990	155,678,156

Source: State Department of Tax and Fee Administration.

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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 2017 through 2021.

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
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
2020	City of Santa Monica	$5,566,512	$79,758
	City of Malibu	941,448	112,754
	Los Angeles County	281,835,290	60,174
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Santa Monica	$5,816,728	$83,181
	City of Malibu	980,082	118,265
	Los Angeles County	289,720,470	62,353
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2021.

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. Annual figures for 2020 are not yet available.

CITY OF SANTA MONICA
Total Building Permit Valuations
Calendar Years 2015 through 2019
(valuations in thousands)

	2015	2016	2017	2018	2019
Permit Valuation					
New Single-family	$33,009.1	$57,966.9	$53,399.5	$43,710.6	$67,781.3
New Multi-family	4,687.5	3,383.0	29,750.4	54,940.5	88,601.6
Res. Alterations/Additions	55,715.8	85,225.6	60,483.5	86,111.7	49,937.9
Total Residential	93,412.4	146,575.5	143,633.4	184,762.8	206,320.8
New Commercial	134,312.0	46,854.4	300,000.0	17,236.4	305.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,252.2	2,810.7	1,045.5	25,426.3	4,268.3
Com. Alterations/Additions	118,095.8	71,518.1	178,501.3	195,104.2	118,466.3
Total Nonresidential	258,660.0	121,183.2	479,546.8	237,766.9	123,039.6
New Dwelling Units					
Single Family	50	35	49	68	95
Multiple Family	18	5	125	150	400
TOTAL	68	40	174	218	495

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF MALIBU
Total Building Permit Valuations
Calendar Years 2015 through 2019
(valuations in thousands)

	2015	2016	2017	2018	2019
Permit Valuation					
New Single-family	$16,935.0	$18,758.9	$35,883.3	$23,852.0	$103,451.8
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	5,358.8	13,199.0	16,634.3	27,506.6	40,928.7
Total Residential	22,293.8	31,957.9	52,517.6	51,358.6	144,380.5
New Commercial	4,400.0	1,244.0	3,411.0	4,044.9	765.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,800.2	7,587.0	3,677.9	6,732.9	4,853.0
Com. Alterations/Additions	670.0	7,676.0	7,111.0	3,691.9	8,980.0
Total Nonresidential	6,870.2	16,507.0	14,199.9	14,469.7	14,598.0
New Dwelling Units					
Single Family	17	9	17	20	73
Multiple Family	0	0	0	0	0
TOTAL	17	9	17	20	73

Source: Construction Industry Research Board, Building Permit Summary.

LOS ANGELES COUNTY
Total Building Permit Valuations
Calendar Years 2015 through 2019
(valuations in thousands)

	2015	2016	2017	2018	2019
Permit Valuation					
New Single-family	$1,897,829.7	$2,162,018.2	$2,352,614.8	$2,277,101.5	$1,967,219.3
New Multi-family	2,843,749.2	2,774,294.3	3,257,833.4	3,222,530.3	2,961,257.4
Res. Alterations/Additions	1,641,457.3	1,639,294.3	1,757,904.1	1,941,369.5	1,625,839.3
Total Residential	6,383,036.1	6,575,607.5	7,368,352.3	7,441,001.3	6,554,316.0
New Commercial	1,695,869.8	1,728,443.4	2,196,089.2	2,844,173.0	2,675,678.8
New Industrial	85,937.1	138,408.6	134,534.3	101,201.3	63,727.8
New Other	1,157,838.0	791,078.1	563,679.3	952,347.7	446,182.7
Com. Alterations/Additions	2,705,727.5	2,880,916.6	3,143,200.2	2,796,375.3	3,404,012.4
Total Nonresidential	5,645,372.4	2,657,930.1	6,037,503.0	6,694,097.3	6,589,601.7
New Dwelling Units					
Single Family	4,487	4,780	5,456	6,070	5,738
Multiple Family	18,405	15,589	17,023	17,152	15,884
TOTAL	22,892	20,369	22,479	23,222	21,622

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: $80,000,000 General Obligation Bonds of School Facilities Improvement District No. 2 of Santa Monica-Malibu Unified School District (Malibu Schools), Election of 2018, Series B

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 $80,000,000 principal amount of General Obligation Bonds of School Facilities Improvement District No. 2 of Santa Monica-Malibu Unified School District (Malibu Schools), Election of 2018, Series B (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 (the "Act") and a resolution adopted by the Board of Education of the District (the "Board") on May 20, 2021 (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 and opinions 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 duly created and validly existing as a school district with the power to cause the Board to issue the Bonds on its behalf with respect to the Improvement District (as defined in the Bond Resolution) 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 with respect to the Improvement District.

4. The Board of Supervisors of Los Angeles County is obligated to levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the Improvement District subject to taxation by the District, without limitation as to rate or amount.

5. The interest on the Bonds (excluding the Bonds maturing on September 1, 2021) 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,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$80,000,000
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Malibu Schools)
(Los Angeles County, California)
Election of 2018, Series B

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") with respect to its School Facilities Improvement District No. 2 (Malibu Schools) (the "Improvement District"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Education of the District on May 20, 2021 (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 30th).

"*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, 2022 with the report for the 2020-21 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) notice in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, 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 Improvement 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 a 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 Improvement 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. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any 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. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), 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: July 1, 2021

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

By:________________________________
Name: ______________________________
Title:_______________________________

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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 S&P Global Ratings 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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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, III, and IV (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 3.0 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 III.

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 emergency.

The BCP includes written guidelines to perform critical Treasury functions, contact information for key personnel, authorized bank representatives and broker/dealers. The Treasurer's Office implemented its BCP in 2007.

The Treasurer's Office shall perform regularly scheduled BCP exercises remotely. 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.

Consideration of Environmental, Social, and Corporate Governance (ESG) Scores

The Treasurer considers that environmental, social and governance (ESG) factors may financially impact the safety, liquidity and yield of investment opportunities. The Treasurer therefore may pursue pragmatic and cost-effective means to consider such factors to fulfill the objectives set forth for the PSI Portfolio.

The Treasurer may also seek to further the County's sustainability goals and enhance the transition to a green economy, consistent with the County's Sustainability Plan, OurCounty, in its investment decisions, as long as such investments achieve substantially equivalent safety, liquidity and yield compared to other investment opportunities.

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 IV)

   1. Maximum maturity: As limited in Attachment IV.

   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.

Permitted Investments are also subject to limitation based on the ESG score of individual issuers in comparison to the ESG score of the issuer’s business sector, as rated by Sustainalytics. The limitation methodology is shown in Attachment II.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$750MM
		A-1/AA	P-1/Aa	F1/AA	$600MM
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:
(1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P Global	Moody's Analytics	Fitch Ratings	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$600MM
		A-1/AA	P-1/Aa	F1/AA	$450MM
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:
(1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-c.

MINIMUM CREDIT RATING
SUPRANATIONAL ISSUERS

Issuer Rating (1)			Investment Limit (2)
S&P Global	**Moody's Analytics**	**Fitch Ratings**	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

Notes:
(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-d.

MINIMUM CREDIT RATING
COMMERCIAL PAPER

Maximum Maturity	Issuer Rating (1) (2)			Investment Limit (3)
	S&P Global	Moody's Analytics	Fitch Ratings	
270 days	A-1	P-1	F1	$1.5 Billion

Notes:
(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P Global, Moody's Analytics, and Fitch Ratings).
(2) If an issuer has a long-term rating, it must be rated in a rating category of "A" or its equivalent or higher.
(3) Maximum combined par value for all issuers is limited to 40% of the PSI portfolio.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG) SCORE IMPACT ON INVESTMENT LIMITS

If an issuer's Sustainalytics ESG score is lower than the median Sustainalytics ESG score of its business sector, investment limits will be subject to the following investment limit reductions:

Score Differential	Percentage Reduction of Investment Limit
≤ 5 points lower	0%
5 ≤ 10 points lower	15%
10 ≤ 20 points lower	30%
> 20 points lower	50%

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual $)

Average Investment Balance and Available Cash (1)	$32,081,183,418
Less:	
▪ 50% of Discretionary Deposits (1)	($1,370,230,010.98)
Average Available Balance	$30,710,953,407
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	$23,033,215,055
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	$7,677,738,352
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	$15,355,476,703

(1) 36 Month Average from December 2017 to November 2020.
(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 IV

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 Analytics) or “A-” (S&P Global or Fitch Ratings). 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 Analytics rating of “MIG-1” or “A2” or a minimum S&P Global rating of “SP-1” or “A.” Maximum maturity limited to five years.

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (Treasury Pool). As of April 30, 2021, 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	$20.619
Schools and Community Colleges	16.951
Discretionary Participants	3.909
Total	$41.479

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.57%
Discretionary Participants:	
Independent Public Agencies	8.61%
County Bond Proceeds and Repayment Funds	0.82%
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 9, 2021, 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 May 28, 2021, the April 30, 2021, book value of the Treasury Pool was approximately $41.479 billion, and the corresponding market value was approximately $41.128 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 April 30, 2021:

Type of Investment	**% of Pool**
Certificates of Deposit	7.71
U.S. Government and Agency Obligations	60.49
Bank Acceptances	0.00
Commercial Paper	31.55
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.18
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of April 30, 2021, approximately 38% of the investments mature within 60 days, with an average of 1005 days to maturity for the entire portfolio.