SUPPLEMENT DATED DECEMBER 2, 2020 TO FINAL OFFICIAL STATEMENT DATED NOVEMBER 17, 2020

$25,720,000
2020 CERTIFICATES OF PARTICIPATION
(Property Acquisition and Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
to Public Property Financing Corporation of California

This **Supplement to Final Official Statement** (this **"Supplement"**) is dated December 2, 2020 and makes a correction to the Maturity Schedule contained in the Official Statement dated November 17, 2020 (the **"Official Statement"**) relating to the above-captioned 2020 Certificates of Participation. The maturity date shown on the Maturity Schedule as May 1, **30**35 is hereby amended to be May 1, **20**35. The corrected Maturity Schedule is attached hereto.

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Recipients of the Official Statement are requested to attach this Supplement to the Official Statement. This Supplement constitutes an integral part of the Official Statement. Other than the amendment described herein, no other changes are made to the Official Statement.

END OF SUPPLEMENT

MATURITY SCHEDULE

2020 CERTIFICATES OF PARTICIPATION
(Property Acquisition and Refinancing Project)

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2021	$315,000	4.000%	0.170%	802500 EM6
2022	330,000	4.000	0.200	802500 EN4
2023	675,000	4.000	0.250	802500 EP9
2024	825,000	4.000	0.270	802500 EQ7
2025	535,000	4.000	0.290	802500 ER5
2026	600,000	4.000	0.430	802500 ES3
2027	670,000	4.000	0.550	802500 ET1
2028	745,000	4.000	0.660	802500 EU8
2029	820,000	4.000	0.820-C	802500 EV6
2030	905,000	4.000	0.920-C	802500 EW4
2031	990,000	4.000	1.070-C	802500 EX2
2032	1,085,000	4.000	1.190-C	802500 EY0
2033	1,180,000	4.000	1.300-C	802500 EZ7
2034	1,285,000	4.000	1.370-C	802500 FA1
2035	1,395,000	4.000	1.460-C	802500 FB9
2036	1,510,000	4.000	1.530-C	802500 FC7
2037	1,630,000	4.000	1.590-C	802500 FD5
2038	1,760,000	4.000	1.670-C	802500 FE3
2039	1,895,000	4.000	1.710-C	802500 FF0
2040	2,035,000	4.000	1.750-C	802500 FG8
2041	2,190,000	4.000	1.780-C	802500 FH6
2042	2,345,000	4.000	1.820-C	802500 FJ2

† CUSIP Copyright 2020, CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Global Market Intelligence. Neither the District nor the Underwriters takes any responsibility for the accuracy of the CUSIP data.
C: Yield to first par call on May 1, 2028.

NEW ISSUE -- FULL BOOK-ENTRY **Moody's: "Aa1"**
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$25,720,000
2020 CERTIFICATES OF PARTICIPATION
(Property Acquisition and Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
to Public Property Financing Corporation of California

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

Purposes. The captioned 2020 Certificates of Participation (the "Certificates") are being executed and delivered to (a) finance the acquisition and improvement of real property of the Santa Monica-Malibu Unified School District (the "District"), (b) refinance outstanding 2010 Refunding Certificates of Participation Series B, (c) fund a deposit to the Lease Payment Fund (defined herein) for the purpose of paying a portion of interest due with respect to the Certificates, and (d) pay certain costs of executing and delivering the Certificates. See "THE FINANCING AND REFINANCING PLAN" herein.

Security. The Certificates evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined in the hereinafter defined Trust Agreement) to be made by the District for the use and occupancy of certain real property under a Lease Agreement, dated as of December 1, 2020 (the "Lease Agreement"), between the District and the Public Property Financing Corporation of California, a nonprofit public benefit corporation (the "Corporation"). The Lease Payments will be payable from any source of available funds of the District, including from a portion of special revenues consisting of redevelopment pass-through payments restricted by statute to educational facilities (the "Redevelopment Facilities Pass-Through Revenues") which the District has covenanted to apply to the Lease Payments, subject to the provisions of the Lease Agreement described herein regarding abatement and defeasance, as more particularly described herein. The District is required under the Lease Agreement to take such actions as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates, respectively. The Certificates will be secured under a Trust Agreement dated as of December 1, 2020, among the District, the Corporation and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"). Under an Assignment Agreement dated as of December 1, 2020, between the Corporation and the Trustee, the Lease Payments will be irrevocably assigned to the Trustee for the benefit of the Certificate Owners. No reserve fund is being established with respect to the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES", "REDEVELOPMENT FACILITIES PASS-THROUGH REVENUES" and "CERTAIN RISK FACTORS."

Interest. Interest represented by the Certificates will be payable on May 1 and November 1 of each year, commencing May 1, 2021. See "THE CERTIFICATES."

Book-Entry Only. When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F – Book-Entry Only System."

Payments. Principal and interest due with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit those payments to its participants for subsequent disbursement to the beneficial owners of the Certificates as described in this Official Statement. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F – Book-Entry Only System."

Prepayment. The Certificates are not subject to optional prepayment. The Certificates are subject to mandatory prepayment from net proceeds of insurance or condemnation and mandatory sinking fund prepayment* prior to their maturity. See "THE CERTIFICATES – Prepayment."

Limited Obligation. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

MATURITY SCHEDULE
(See inside cover)

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire official statement to obtain information essential in making an informed investment decision. See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Certificates.

The Certificates are offered when, as and if executed and delivered, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain legal matters will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, and for the Trustee by its counsel. Norton Rose Fulbright US LLP, Los Angeles, California, is serving as counsel to the Underwriters. It is anticipated that the Certificates will be available for delivery on or about December 3, 2020.

RAYMOND JAMES RBC Capital Markets

The date of this Official Statement is: November 17, 2020.

MATURITY SCHEDULE

2020 CERTIFICATES OF PARTICIPATION
(Property Acquisition and Refinancing Project)

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2021	$315,000	4.000%	0.170%	802500 EM6
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2026	600,000	4.000	0.430	802500 ES3
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2037	1,630,000	4.000	1.590-C	802500 FD5
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2041	2,190,000	4.000	1.780-C	802500 FH6
2042	2,345,000	4.000	1.820-C	802500 FJ2

C: Yield to first par call on May 1, 2028.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Certificate 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 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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, as to such other sources, is not guaranteed as to accuracy or completeness.

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

Stabilization of and Changes to Offering Prices. The Underwriters may overallot or take other steps that stabilize or maintain the market prices of the Certificates at levels above those that might otherwise prevail in the open market. If commenced, the Underwriters may discontinue such market stabilization at any time. The Underwriters may offer and sell the Certificates 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.

Document Summaries. All summaries of the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement 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 Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Certificates 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 Certificates will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the Corporation, 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 and certain social media accounts. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

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

BOARD OF EDUCATION OF THE DISTRICT

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

DISTRICT ADMINISTRATION

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

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

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

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

2010B CERTIFICATE TRUSTEE

Wells Fargo Bank, National Association
Los Angeles, California

VERIFICATION AGENT

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

FISCAL CONSULTANT

Public Economics, Inc.
Orange, California

UNDERWRITERS' COUNSEL

Norton Rose Fulbright US LLP
Los Angeles, California

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OFFICIAL STATEMENT

$25,720,000
2020 CERTIFICATES OF PARTICIPATION
(Property Acquisition and Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
to Public Property Financing Corporation of California

INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) (collectively, the "**Official Statement**"), provides certain information concerning the sale and delivery of the certificates of participation captioned above (the "**Certificates**"), which evidence the direct, undivided fractional interests of the Owners thereof in lease payments (the "**Lease Payments**") to be made by the Santa Monica-Malibu Unified School District (the "**District**") of Los Angeles County (the **"County"**), California (the **"State"**) pursuant to a Lease Agreement dated as of December 1, 2020 (the "**Lease Agreement**"), between the District and the Public Property Financing Corporation of California (the "Corporation").

All capitalized terms used in this Official Statement but not otherwise defined have the meanings set forth in the Trust Agreement (defined below) or the Lease Agreement. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

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 childcare and development centers. For fiscal year 2020-21, the District's enrollment is budgeted for 10,018 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. District-wide total taxable property assessed value in fiscal year 2020-21 is $63,036,221,231.

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 "THE DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein.

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 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 emergency, see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Disclosure Relating to COVID-19" herein.

Use of Proceeds. The proceeds of the sale of the Certificates will be used to (a) finance the acquisition and improvement of real property, (b) to prepay in full the District's outstanding 2010 Refunding Certificates of Participation Series B, (c) fund a deposit to the Lease Payment Fund (defined herein) for the purpose of paying a portion of interest due with respect to the Certificates, and (d) pay certain costs of executing and delivering the Certificates. See "THE FINANCING AND REFINANCING PLAN" herein.

Security and Sources of Payment. The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the "**Owners**") thereof in the Lease Payments to be made by the District for the right to use of certain land and improvements (the "**Leased Property**"), to be leased by the District from the Corporation under the Lease Agreement. See "THE LEASED PROPERTY."

The District and the Corporation will enter into a Site Lease dated as of December 1, 2020 (the "**Site Lease**"), whereby the District (as owner of the Leased Property) will lease the Leased Property to the Corporation. The District will simultaneously sublease the Leased Property back from the Corporation, and covenant to make Lease Payments which correspond in time and amount to debt service due and payable for the Certificates, which will be executed and delivered under a Trust Agreement dated as of December 1, 2020 (the "**Trust Agreement**"), among the District, the Corporation and U.S. Bank National Association, Los Angeles, California, as trustee (the "**Trustee**"). The Corporation will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments due under the Lease Agreement.

The Lease Payments and Additional Payments are payable from any lawfully available source of funds of the District, including the Redevelopment Facilities Pass-Through Revenues (defined herein), subject to the provisions of the Lease Agreement relating to abatement due to damage, destruction and eminent domain of the Leased Property, and mandatory prepayment relating thereto. As the primary source of repayment of the Lease Payments, the District has covenanted in the Lease Agreement to deposit into the Lease Payment Fund held by the Trustee under the Trust Agreement a portion of special revenues consisting of redevelopment pass-through payments restricted by statute to educational facilities (the **"Redevelopment Facilities Pass-Through Revenues"**) received form the County Auditor-Controller and derived from two redevelopment project areas (the **"Project Areas"**) located within District boundaries. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" and "REDEVELOPMENT FACILITIES PASS-THROUGH REVENUES."

No Reserve Fund. A reserve fund will not be established for the Certificates.

Limited Obligation. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF

THE STATE OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Covenant to Appropriate*; *Abatement. The District is required under the Lease Agreement to take such actions as may be necessary to include all Lease Payments coming due in each of its annual budgets during the Term of the Lease and to make the necessary annual appropriations for all such Lease Payments. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

However, the Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the District's right to the use and possession of the Leased Property or any portion thereof due to material damage to or destruction of the Leased Property or due to the taking of the Leased Property in eminent domain proceedings. If the Lease Payments are abated under the Lease Agreement, and are not paid from alternative sources as described in this Official Statement, the Certificate Owners would receive less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of rental interruption insurance are available (as described below), the Lease Payments (or a portion thereof) may be made from those sources during periods of abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "CERTAIN RISK FACTORS."

Prepayment. The Certificates are subject to optional prepayment, mandatory prepayment from net proceeds of insurance or condemnation and mandatory sinking fund prepayment prior to their maturity. See "THE CERTIFICATES – Prepayment."

Legal Matters. The execution and delivery of the Certificates is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Special Counsel**"), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving 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 Special Counsel, Disclosure Counsel and Underwriters' Counsel is contingent upon the delivery of the Certificates.*

Tax Matters. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" and Appendix D hereto.

Certain Risk Factors. As described under the heading "CERTAIN RISK FACTORS," there are investment considerations and other risk factors associated with the purchase of the Certificates. Any one or more of the risks discussed, and others, could lead to a decrease in the market value of the Certificates. Potential purchasers of the Certificates are advised to review the entire Official Statement carefully and to conduct such due diligence and other review as they deem necessary and appropriate under the circumstances.

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 Certificates 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."

Summaries of Documents. The summaries or references to the Site Lease, the Trust Agreement, the Lease Agreement, the Assignment Agreement and other documents, agreements and statutes referred to in this Official Statement, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute.

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 Certificates are available from the District from the Superintendent's Office at 1651 - 16th Street, Santa Monica, California 90404, Telephone: (310) 450-8338. The District also maintains a website. The information contained in such website is not incorporated herein by reference.

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

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

THE FINANCING AND REFINANCING PLAN

The 2020 Project

A portion of the proceeds of the Certificates will be applied to acquire the office building commonly referred to as the Doubletree Office Building located at 1707 - 4th Street, Santa Monica, California, and to make certain improvements thereto (the **"2020 Project"**). The building consists of 34,000 square feet and includes parking facilities. The 2020 Project will be used as a consolidated, central office building for District staff.

Under the Trust Agreement, the Trustee will establish a fund designated the **"Project Fund."** The proceeds of the Certificates deposited in the Project Fund will be withdrawn by the Trustee upon the written request of the District to pay or reimburse the costs of the 2020 Project. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - Trust Agreement". See also "SOURCES AND USES OF FUNDS" herein.

Prepayment of 2010B Certificates

A portion of the proceeds of the Certificates will be applied to prepay in full the District's outstanding 2010 Refunding Certificates of Participation, Series B (the **"2010B Certificates"**), which were delivered on December 15, 2010 in the principal amount of $8,015,000. The following table identifies the 2010B Certificates to be prepaid.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Identification of 2010B Certificates to be Prepaid

Maturities to be Refunded	**Principal Amount Prepaid**	**Prepayment Date**	**Prepayment Price (% of Par Amount Prepaid)**	**CUSIP†** (802500)
05/01/2021	$310,000	12/21/2020	100.0%	EH7
05/01/2022	320,000	12/21/2020	100.0	EJ3
05/01/2023	340,000	12/21/2020	100.0	EK0
05/01/2024	355,000	12/21/2020	100.0	EL8
TOTAL	$1,325,000	--	--	--

† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Underwriters are responsible for the accuracy of such data.

In order to accomplish the refunding of the 2010B Certificates, the District will deliver Irrevocable Refunding Instructions to Wells Fargo Bank, National Association, as trustee for the 2010 Certificates (the "**2010B Certificates Trustee**"), under which a portion of the proceeds of the Certificates will be deposited with the 2010B Certificates Trustee into an existing fund which has been established for that purpose under the documents relating to the 2010B Certificates (the "**Prepayment Fund**), upon the closing of the Certificates. Amounts on deposit in the Prepayment Fund will be invested in certain federal securities, or held in cash, to be applied to the payment and prepayment of the 2010B Certificates in accordance with the foregoing table.

Sufficiency of the amounts and investments held in the Prepayment Fund for the purpose of paying the principal of and interest and prepayment price of the 2010 Certificates will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"). See "VERIFICATION" herein.

SOURCES AND USES OF FUNDS

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

SOURCES AND USES OF FUNDS
2020 Certificates of Participation
(Property Acquisition and Refinancing Project)

Sources of Funds	
Principal Amount of Certificates	$25,720,000.00
Plus Original Issue Premium	4,357,588.90
Total Sources	$30,077,588.90
Uses of Funds	
Project Fund	$27,000,000.00
Lease Payment Fund[(1)]	1,380,631.11
2010 COP Prepayment Fund	1,333,462.68
Delivery Costs[(2)]	363,495.11
Total Uses	$30,077,588.90

(1) Capitalized interest.
(2) All estimated delivery costs including, but not limited to, Underwriters' discount, printing costs, and fees of Special Counsel, Disclosure Counsel, Financial Advisor, Trustee, 2010B Certificates Trustee, verification fees, the rating agency and certain other costs.

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THE LEASED PROPERTY

Description and Location

Lease Payments will be made by the District under the Lease Agreement for the use and possession of the Leased Property, which consists of the real property and improvements known as Roosevelt and Franklin Elementary Schools both located in the District.

Roosevelt Elementary School is located at 801 Montana Avenue in Santa Monica, California. It consists of 30 buildings totaling 53,800 square feet, and has an insured replacement value of over $13.9 million, which does not include the value of the land.

Franklin Elementary School is located at 2400 Montana Avenue in Santa Monica, California. It consists of 20 buildings totaling 71,000 square feet and has an insured replacement value of $16.8 million, which does not include the value of the land.

Fair Rental Value

The Lease Agreement provides that the Lease Payments and any Additional Payments which are payable in a Rental Period will constitute the total rental for the Leased Property for that Rental Period, and will be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The Corporation and the District have agreed and determined in the Lease Agreement that the total Lease Payments and Additional Payments represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the estimated fair market value of the Leased Property, other obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the District and the general public.

Substitution and Release of Property

The Site Lease and the Lease Agreement provide that, upon compliance with certain conditions specified in said agreements, the District may substitute alternate real property for all or any portion of the Leased Property or may release a portion of the Leased Property from the Site Lease and the Lease Agreement, respectively. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement."

THE CORPORATION

The Public Property Financing Corporation of California is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California for the primary purpose of rendering assistance to public agencies with their financing needs. The governing board of the Corporation is scheduled to approve participation in the refinancing plan on or about November 16, 2020.

THE CERTIFICATES

Certificate Terms

General. The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of the Lease Payments to be made by the District pursuant to the Lease Agreement.

The Certificates are dated the date of original delivery thereof and will be executed and delivered, without coupons, in denominations evidencing principal in the amounts of $5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The interest components evidenced by the Certificates will be due and payable semiannually on May 1 and November 1 of each year (each a "**Payment Date**"), commencing May 1, 2021.

Each Certificate shall be dated as of the date of its execution, and interest represented thereby shall be payable from the Payment Date next preceding the date of execution thereof, (a) unless it is executed following the close of business on the 15^{th} day of the month preceding each Payment Date, whether or not such 15^{th} day is a Business Day (a "**Record Date**") and on or before the next succeeding Payment Date, in which event interest represented thereby shall be payable from such Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby shall be payable from the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriters; *provided, however*, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby shall be payable from the Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Lease Payments evidenced by the Certificates will be payable no later than the fifth day preceding each Payment Date (in the event that any payment due under the Lease Agreement is due on a day which is not a Business Day, such payment shall be made on the next Business Day), the principal components of which will evidence interest components calculated at the rates per annum, all as set forth on the inside front cover page of this Official Statement.

Prepayment

The Certificates are subject to prepayment as described below. Capitalized terms used below and not defined have the meanings assigned to such terms in the Trust Agreement. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Optional Prepayment. The Certificates maturing on or before May 1, 2028 are not subject to optional prepayment. The Certificates maturing on or after May 1, 2029, are subject to optional prepayment in whole, or in part among maturities on a pro rata basis and by lot within a maturity, on any date on or after May 1, 2028, from prepayments of the Lease Payments made at the option of the District pursuant to the Lease Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Mandatory Prepayment from Net Proceeds. The Certificates are subject to mandatory prepayment, in whole or in part on any Business Day, among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease Agreement and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium. The District shall have the discretion to determine whether and to what extent such Net Proceeds are applied to the prepayment of the Certificates and the District shall file a Written Certificate with the Trustee setting forth such determination. The Trustee shall select the Certificates to be prepaid on a pro rata basis among maturities. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

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

Purchase In Lieu of Prepayment. In lieu of prepayment of Certificates as provided in the Trust Agreement and described above, amounts held by the Trustee for such prepayment may, at the written request of the District, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid.

Notice of Prepayment. The Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District, at least 20 days but not more than 60 days prior to the prepayment date. Such notice must:

(a) state the prepayment date and prepayment price;

(b) state the numbers or maturities of the Certificates to be prepaid, if less than all of the then Outstanding Certificates are to be called for prepayment;

(c) if a Certificate is to be prepaid only in part, identify the portion of the Certificate which is to be prepaid;

(d) require that such Certificates be surrendered on the prepayment date at the Office of the Trustee for prepayment at said prepayment price;

(e) state that interest represented by the Certificates will not accrue from and after the prepayment date; and

(f) state that on the prepayment date the principal represented by each Certificate will become due and payable, together with accrued interest represented thereby to the prepayment date, and that from and after such date interest represented thereby ceases to accrue and be payable.

Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

While the Certificates are subject to the book-entry system, the Trustee will not be required to give any notice of prepayment to any person or entity other than DTC and to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System and at the District's written direction, other securities depositories and information services. DTC and the DTC Participants shall have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be prepaid. Any failure of DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under "Effect of Prepayment."

Selection of Certificates. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid.

Effect of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee or such escrow agent as shall be selected by the District so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, and shall be held by the Trustee in cash, uninvested.

Book-Entry Only System

The Certificates will be executed and delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Certificates (the "**Beneficial Owners**") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM." If the book-entry only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement, as described below.

Transfer and Exchange of Certificates

While the Certificates are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM." During any period in which the Certificates are not subject to DTC's book-entry system, their exchange and transfer will be governed by provisions of the Trust Agreement summarized in “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

CERTIFICATE PAYMENT SCHEDULE

Following is the debt service with respect to the Certificates assuming no prepayments. Under the Lease Agreement, Lease Payments payable by the District are due the fifth Business Day immediately preceding each of the payment dates identified below.

SCHEDULE OF PAYMENT DATES
Santa Monica-Malibu Unified School District

Date	Principal Component	Interest Component	Total Payments
05/01/2021	$315,000	$422,951.11	$737,951.11
11/01/2021	-	508,100.00	508,100.00
05/01/2022	330,000	508,100.00	838,100.00
11/01/2022	-	501,500.00	501,500.00
05/01/2023	675,000	501,500.00	1,176,500.00
11/01/2023	-	488,000.00	488,000.00
05/01/2024	825,000	488,000.00	1,313,000.00
11/01/2024	-	471,500.00	471,500.00
05/01/2025	535,000	471,500.00	1,006,500.00
11/01/2025	-	460,800.00	460,800.00
05/01/2026	600,000	460,800.00	1,060,800.00
11/01/2026	-	448,800.00	448,800.00
05/01/2027	670,000	448,800.00	1,118,800.00
11/01/2027	-	435,400.00	435,400.00
05/01/2028	745,000	435,400.00	1,180,400.00
11/01/2028	-	420,500.00	420,500.00
05/01/2029	820,000	420,500.00	1,240,500.00
11/01/2029	-	404,100.00	404,100.00
05/01/2030	905,000	404,100.00	1,309,100.00
11/01/2030	-	386,000.00	386,000.00
05/01/2031	990,000	386,000.00	1,376,000.00
11/01/2031	-	366,200.00	366,200.00
05/01/2032	1,085,000	366,200.00	1,451,200.00
11/01/2032	-	344,500.00	344,500.00
05/01/2033	1,180,000	344,500.00	1,524,500.00
11/01/2033	-	320,900.00	320,900.00
05/01/2034	1,285,000	320,900.00	1,605,900.00
11/01/2034	-	295,200.00	295,200.00
05/01/2035	1,395,000	295,200.00	1,690,200.00
11/01/2035	-	267,300.00	267,300.00
05/01/2036	1,510,000	267,300.00	1,777,300.00
11/01/2036	-	237,100.00	237,100.00
05/01/2037	1,630,000	237,100.00	1,867,100.00
11/01/2037	-	204,500.00	204,500.00
05/01/2038	1,760,000	204,500.00	1,964,500.00
11/01/2038	-	169,300.00	169,300.00
05/01/2039	1,895,000	169,300.00	2,064,300.00
11/01/2039	-	131,400.00	131,400.00
05/01/2040	2,035,000	131,400.00	2,166,400.00
11/01/2040	-	90,700.00	90,700.00
05/01/2041	2,190,000	90,700.00	2,280,700.00
11/01/2041	-	46,900.00	46,900.00
05/01/2042	2,345,000	46,900.00	2,391,900.00
Totals	**$25,720,000**	**$14,420,351.11**	**$40,140,351.11**

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

General. Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payment due under the Lease Agreement on the Payment Date or prepayment date of such Certificates, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from the date of delivery to its principal payment date or prepayment date, as the case may be. The Lease Payments and Additional Payments are payable from any lawfully available source of funds of the District, including the Redevelopment Facilities Pass-Through Revenues, subject to the provisions of the Lease Agreement relating to abatement due to damage, destruction and eminent domain of the Leased Property, and mandatory prepayment relating thereto. The District covenants to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets. The District further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the District for all Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the District contained in the Lease Agreement are duties imposed by law. The District has further covenanted to apply the Redevelopment Facilities Pass-Through Revenues in each year first to the payment of the Lease Payments and Additional Payments, prior to making any other payments or for any other uses from that revenue source.

Assignment of Rights in Lease Agreement to Trustee. The Corporation, under the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the District; except that the Corporation will retain certain rights under the Lease Agreement (including the rights to Additional Payments, repayment of advances, indemnification and payment of attorneys' fees). The District will pay Lease Payments directly to the Trustee, as assignee of the Corporation, for deposit in the Lease Payment Fund established pursuant to the Trust Agreement. See "– Lease Payments" below.

Lease Payments

General. For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the District to make the Lease Payments. To secure the payment of the Lease Payments, the District is required to pay to the Trustee, for deposit into the Lease Payment Fund established and maintained by the Trustee, on the fifth day before each Payment Date (or if such day is not a Business Day, on the next succeeding Business Day), an amount sufficient to pay the Lease Payment then due.

Pursuant to the Trust Agreement, the Trustee shall withdraw moneys from the Lease Payment Fund on each Payment Date in amounts which equal the Lease Payment due on such Payment Date and shall cause all sums withdrawn from the Lease Payment Fund to be deposited in the Certificates Payment Account, and shall cause the same to be applied to the payment of principal and interest evidenced by the Certificates coming due on such Payment Date.

Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE."

Additional Rent. The Lease Agreement requires the District to pay, in addition to the Lease Payments, all costs and expenses incurred by the District under the Lease Agreement or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement (collectively, "**Additional Payments**").

Covenant to Budget and Appropriate Funds. The District covenants under the Lease Agreement to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets. The District further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the District for the payment of all Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the District contained in the Lease Agreement are duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement to be carried out and performed by the District. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - The Lease Agreement - Lease Payments; Budget and Appropriation."

Covenant Regarding Application of Redevelopment Facilities Pass Through Revenues. In the Lease Agreement, the District acknowledges its intention to apply the Redevelopment Facilities Pass-Through Revenues to the payment of the Lease Payments. The District covenants to pay to the Trustee in each Fiscal Year, for deposit into the Lease Payment Fund, an amount of Redevelopment Facilities Pass-Through Revenues which is sufficient to pay when due the Lease Payments coming due and payable in such Fiscal Year. Until such time during any Fiscal Year that the total amount of Redevelopment Facilities Pass-Through Revenues deposited with the Trustee are equal to the aggregate amount of the Lease Payments coming due in such Fiscal Year, the District covenants that it will not apply the Redevelopment Facilities Pass-Through Revenues to make any other payments or for any other uses whatsoever.

The District anticipates that the Redevelopment Facilities Pass Through Revenues will be the primary source of repayment of the Lease Payments and the Additional Payments due under the Lease Agreement, and provide for the corresponding payment of principal and interest represented by the Certificates.

As defined in the Lease Agreement and the Trust Agreement and when used herein, the term "Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the District as its fiscal year pursuant to written notice filed with the Trustee.

See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - The Lease Agreement - Application of Redevelopment Facilities Pass-Through Revenues." See also "REDEVELOPMENT FACILITIES PASS-THROUGH REVENUES" herein for more information about the Redevelopment Facilities Pass Through Revenues including a projection of debt service coverage for the Certificates.

Limited Obligation

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Abatement Due to Damage or Destruction

Lease Payments will be paid by the District in each rental period for the District's right to use and occupy the Leased Property for such rental period. The obligation of the District to pay Lease Payments will be abated, proportionately, during any period in which, by reason of damage or destruction, there is substantial interference with the use and possession of the Leased Property by the District. The Lease Agreement provides that the amount of such abatement shall be determined by the District such that the resulting Lease Payments represent the fair consideration for the use and possession of the portion of the Leased Property not damaged or destroyed or taken. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments which would otherwise be abated, it being declared in the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction; and the Term of the Lease shall be extended as provided in the Lease Agreement, except that the Term of the Lease will in no event be extended more than ten years beyond the termination date. Abatement of Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. In the event of any such partial damage or destruction or taking, the Lease Agreement will continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage or destruction or taking. For information regarding rental interruption insurance, see "-Covenant to Maintain Property Insurance" below.

The Trustee cannot terminate the Lease Agreement solely on the basis of such substantial interference. Abatement of Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Leased Property, see "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Lease Payments – Abatement."

Termination or Abatement Due to Eminent Domain

Lease Payments will be paid by the District in each rental period for the District's right to use and occupy the Leased Property for such rental period. Under the Lease Agreement, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease will cease with respect thereto as of the day possession is so taken.

If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking, and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property, calculated in accordance with the Lease Agreement.

Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments which would otherwise be abated, it being declared in the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Lease Payment Fund

Establishment. Under the Trust Agreement the Trustee will establish a special fund designated as the **"Lease Payment Fund"**. All moneys at any time deposited by the Trustee in such fund will be held by the Trustee in trust for the benefit of the District and the Owners of the applicable series of Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in said funds or the moneys deposited in the respective Lease Payment Fund, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as set forth in the Trust Agreement.

Deposits. All Lease Payments received by the Trustee will be deposited in the Lease Payment Fund. In addition, a portion of the proceeds of the Certificates to be applied to capitalized interest represented by the Certificates will be deposited in the Lease Payment Fund.

Application of Moneys. All amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest represented by the Certificates as they become due and payable, in accordance with the Trust Agreement.

Lease Payment Fund; Surplus. Any surplus remaining in the Lease Payment Fund after prepayment and payment of the Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such prepayment or payment having been made to the satisfaction of the Trustee, will be withdrawn by the Trustee and remitted to the District.

Action on Default

If the District defaults under the Lease Agreement, the Trustee, as assignee of the Corporation's rights under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the District, and will have the right to re-let the Leased Property, or alternatively the Trustee may retain the Lease Agreement and hold the District liable for all Lease Payments thereunder on an annual basis. Lease Payments may not be accelerated upon a default under the Lease Agreement. The Trustee's ability to exercise these remedies may subject to certain limitations as further described in "CERTAIN RISK FACTORS."

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

No Reserve Fund

No reserve fund has been established for the Certificates. See "CERTAIN RISK FACTORS – No Reserve Fund" herein.

Covenant to Maintain Property Insurance

The Lease Agreement requires the District to obtain public liability and property damage insurance, casualty insurance, rental interruption insurance, and to obtain a title insurance policy with respect to the Leased Property, as described below.

Public Liability and Property Damage Insurance. The District will maintain or cause to be maintained, throughout the term of the Lease Agreement, comprehensive general insurance in protection of the Corporation, the District and their respective members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the Net Proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which such Net Proceeds are paid.

Casualty Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, casualty insurance against loss or damage to the Leased Property, in an amount at least equal to the greater of (a) the replacement value of such buildings, facilities and improvements which constitute a part of the Leased Property, or (b) the aggregate principal amount of the outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent but not in excess of $100,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The District shall apply the Net Proceeds of such insurance as provided in the Lease Agreement.

Rental Interruption Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the insurance required by the preceding paragraph, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, provided that the provider of such insurance shall be rated at least "A" by A.M. Best & Company, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Funds as provide in the Trust Agreement, and shall be credited towards the payment of the applicable Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The District shall obtain a CLTA title insurance policy from Stewart Title Company, insuring the District's fee title and leasehold estate in the Leased Property under the Lease Agreement, as well as the leasehold estate of the Corporation under the Site Lease, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Funds and credited towards the prepayment of the Lease Payments as provided in the Lease Agreement.

See also "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Insurance."

Insurance and Condemnation Fund; Application of Net Proceeds

The Lease Agreement requires that Net Proceeds of any insurance or condemnation award with respect to the Leased Property (other than proceeds of rental interruption insurance, which are required to be deposited into the Lease Payment Fund) be paid to the Trustee to be applied as provided in the Trust Agreement. The Trust Agreement provides that such Net Proceeds received by the Trustee shall be deposited in the Insurance and Condemnation Fund and that the District shall, within 90 days of the deposit of Net Proceeds with the Trustee, file a certificate with the Trustee and the Net Proceeds shall be applied by the Trustee as follows:

Application of Net Proceeds of Insurance. Any Net Proceeds of insurance collected by the District in the event of accident to or destruction of any component of the Leased Property shall be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" which the Trustee shall establish. If the District determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interests of the District, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding mandatory prepayment of Certificates, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given. The determination of the District to apply Net Proceeds to the prepayment of Certificates is subject to the following:

(a) if the Leased Property is damaged or destroyed in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments allocable to the Leased Property; and

(b) if the Leased Property is damaged or destroyed in part but not in whole, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if the Lease Payments which result after the corresponding abatement thereof under the Lease Agreement are sufficient to pay the full amount of principal and interest represented by the Certificates which remain Outstanding after such prepayment.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the District, upon receipt of written requisitions of the District stating with respect to each payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount to be paid and (c) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after the District shall file a written certificate with the Trustee stating that such work has been completed shall, after payment of all amounts then due and owing to the Trustee hereunder, be paid to the District.

See "THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds."

Application of Net Proceeds of Condemnation Award. The Trust Agreement provides that, if all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund, under the Lease Agreement, and shall be applied and disbursed by the Trustee as follows:

(a) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the District has given written notice to the Trustee of such determination, the Trustee shall transfer such proceeds pro rata to the Lease Payment Fund to be credited towards the payment of the Lease Payments as they become due and payable.

(b) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for the repair or rehabilitation of the Leased Property.

(c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District gives written notice to the Trustee of its determination that such eminent domain proceedings have materially

> affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds pro rata to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments under the Lease Agreement and applied to the corresponding mandatory prepayment of Certificates, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under the Lease Agreement, the District may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Any such determination by the District is final. See also "THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds."

Disclosure Relating to COVID-19

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (**"COVID-19"** or **"Coronavirus"**), which was first detected in China and has spread throughout the world, including to the United States, has been declared a Pandemic by the World Health Organization, a National Emergency by President Trump (the **"President"**) and a State of Emergency by State Governor Newsom (the **"Governor"**). The emergency has resulted in tremendous volatility in the financial markets in the United States and globally, and the likely onset of a U.S. and global recession.

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 multibillion-dollar Coronavirus relief package was signed into law by the President on March 18, 2020, known as the "Families First Coronavirus Response Act," providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In an effort to calm the markets, 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. Further, on March 27, 2020, the federal legislation known as the "Coronavirus Aid, Relief, and Economic Security Act" (the **"CARES Act"**) was enacted, being a $2 trillion relief. The package includes 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 to The Education Stabilization Fund to provide Emergency Relief Grants to educational institutions and local educational agencies in their respective responses to COVID-19. This funding allocation includes approximately $13.5 billion in formula funding to the Elementary and Secondary School Emergency Fund to make grants available to each state educational agency to facilitate K-12 schools' responses to COVID-19.

On April 9, 2020, the Federal Reserve took additional actions to provide up to $2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the SBA's Paycheck Protection Program, 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, to provide additional funding for the local program for distressed small businesses and to provide funds for hospitals and COVID-19 testing. The legislation adds $310 billion to the Paycheck Protection

Program, increases the small business emergency grant and loan program by $60 billion, and directs $75 billion to hospitals and $25 billion to a new COVID-19 testing program.

At the State level, on March 15, 2020, the Governor ordered the closing of bars and nightclubs in the State, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed a two-bill package providing $1.1 billion in general purpose spending authority for emergency funds to respond to the Coronavirus crisis, including $100 million for schools to pay for facilities cleaning, protective equipment, supplies and labor.

On March 19, 2020, the Governor issued Executive Order N-33-20, a blanket shelter-in-place order, ordering all residents of the State to stay home except for certain essential jobs and essential needs. Thereafter, on May 4, 2020, the Governor's Order N-60-20 informed local health jurisdictions and industry sectors that they may gradually reopen pursuant to guidance provided from the State's Public Health Officer, which was provided on May 7, 2020. The State's reopening approach is being conducted in accordance with "California's Pandemic Roadmap" which identifies four stages of the pandemic, being (a) safety and preparation, (b) reopening of lower risk workplaces and other spaces, (c) reopening of higher risk workplaces and other spaces, and (d) easing of final restrictions leading to the end of the state at home order. The Roadmap identifies criteria and procedures for reducing restrictions by local officers that might be less restrictive than statewide measures. The stages will be phased in gradually, and counties which have met readiness criteria and worked with the State Department of Public Health can permit more activities as outlined by the State for variances by county. On August 28, 2020, the State released a "Blueprint for a Safer Economy" (the **"State's Blueprint"**) with revised criteria for loosening and tightening restrictions on activities based on a tier system. Information about the tier system and new criteria is available in the Governor's News release at https://www.gov.ca.gov/2020/08/28/governor-newsom-unveils-blueprint-for-a-safer-economy-a-statewide-stringent-and-slow-plan-for-living-with-covid-19/. The information on such website is not incorporated herein by reference and may change from time to time.

Local jurisdictions within the State may also issue their own shelter-in-place orders to slow the spread of COVID-19.

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 surround 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 neither the District nor the Underwriter assumes any responsibility for the accuracy of the information on such website*s.

Impacts on Global and Local Economies; Potential Declines in State 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 has occurred and a decline in State revenues including derived from personal income tax receipts is expected. 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.

Suspension of Classroom Instruction; Remote Learning. 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 have 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, the County is in Tier 1 (Purple - Widespread). Schools located in counties in Tier 1 (Purple - Widespread) tier are not permitted to reopen for in-person instruction until their county has been in a lower tier for at least two weeks. Schools that are K-6 can apply for a waiver to reopen, which can be granted based on satisfying certain criteria. The District is currently providing remote-only learning but may have the opportunity to decide whether to add in-person instruction if the County falls into a tier that is below Tier 1 and maintains that status for at least fourteen days.

With respect to funding of school districts in light of the COVID-19 pandemic, State law allows school districts to apply for a waiver to hold them harmless from the loss of State apportionment funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor's Executive Order N-26-20 provides for continued State funding to support distance learning or independent study, providing subsidized school meals to low-income students, continuing payment for school district employees, and, to the extent practicable, providing for attendance calculations supervision of students during school hours. In addition, Senate Bill 117 (March 17, 2020) addresses attendance issues and instructional hour requirements, among other items, and effectively holds schools harmless from funding losses that could result from these issues under existing education funding formulas. See "DISTRICT FINANCIAL INFORMATION – Education Funding Generally." In addition, federal funding to school districts is available to most school districts under the CARES Act.

Impacts of COVID-19 Pandemic Unknown. The District cannot predict all of the possible impacts that the COVID-19 emergency might have on its finances or programs or the credit ratings on its debt obligations. Examples of possible effects are on the unanticipated costs of mitigation measures and of implementing distance learning, deteriorating economies reducing local and State revenues, declining assessed values, possible lower credit ratings, and a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years, among others.

The Certificates are payable from lease payments, which are budgeted and appropriated annually by the District from its General Fund or any other lawfully available funds, including the Redevelopment Facilities Pass-Through Revenues. The District cannot predict the impact the COVID-19 pandemic could have on its finances.

THE DISTRICT

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 is budgeted for 10,018 students, and the District-wide total taxable property value is $63,036,221,231.

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.

For information on how the District has responded to the COVID-19 emergency, see below under "-District's Response to COVID-19 Emergency."

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's benefit from Basic Aid status in fiscal year 2019-20 was approximately $5.1 million and in 2020-21 is expected to be $21.339 million in revenues above what it would have received as a non-Basic Aid 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.

Administration

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

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

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

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

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

Recent Enrollment Trends

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

ANNUAL ENROLLMENT and AVERAGE DAILY ATTENDANCE
Fiscal Years 2012-13 through 2020-21 (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	(1.74)
2018-19	10,625	(1.67)	10,095	(2.04)
2019-20	10,390	(2.21)	9,545	(5.44)
2020-21*	10,018	(3.58)	9,783	2.49

*Budgeted.
Source: California Department of Education; Santa Monica-Malibu Unified School District.

Employee Relations

In fiscal year 2020-21, the District has budgeted for 631.9 certificated, 674.9 classified and 104.1 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

Source: Santa Monica-Malibu Unified School District.

District Insurance Coverage

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

District's Response to COVID-19 Emergency

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. Distance learning was implemented through the end of the 2019-20 academic year. The County is currently in Tier 1 of the State's Blueprint for reopening. As such, the District is currently in a remote learning mode. The District has developed plans for reopening in multiple modes and hybrid models, all which may be undertaken in compliance with applicable State and local requirements, and upon the decision of the governing board.

The District is expected to receive a net amount of $6.1 million in funding under the CARES Act to address costs which may have resulted from the COVID-19 emergency. 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 District is incurring costs that were not anticipated at the time of the current year's budget as a result of COVID-19, such as the costs of mitigation measures and of implementing distance learning. However, funding under the CARES Act and other cost-saving impacts of not operating site-based learning, such as reductions in transportation costs, fuel and electricity costs, largely offset those expenses. With respect to its pension costs, the District cannot currently predict if the COVID-19 emergency 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' required minimum reserve, and has a budgeted ending fund balance (combined restricted and unrestricted) for fiscal year 2020-21 of 12.3% of expenditures.

The impacts of the COVID-19 emergency 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.

Disclosure Regarding Possible Reorganization of the District

Certain residents of the District including a civic group known as Advocates for Malibu Public Schools 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. The initial formal action taken in this process was adoption by the City Council of the City of Malibu on September 16, 2015 which authorized filing a formal reorganization petition with the Los Angeles County Office of Education (**"LACOE"**) to explore the feasibility of such a reorganization. The Malibu Resolution was later filed with LACOE on August 31, 2017,

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 that time.

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 its meeting 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. Thereafter, on August 31, 2017, the Malibu City Council Resolution authorizing a petition for reorganization was filed with LACOE. On December 14, 2017, the District Board adopted a resolution opposing the unification petition which was filed with LACOE and the County Committee on School District Organization for consideration when deliberating on the Malibu City Council's reorganization petition.

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.

Thereafter, District Board actions consistent with possible separation of the two areas included (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.

Most recently, on October 12, 2020, the City Council of the City of Malibu voted to reinstate the separation petition to LACOE, instead of returning to negotiations directly with the District Board and staff. It is expected that LACOE will hold a public hearing on the petition. The District staff and its consultants are preparing an analysis and response regarding the potential impacts of a reorganization.

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 LACOE 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 debt including long-term lease financings and bonded indebtedness. Although the District believes that reorganization may occur in the future, it cannot predict the terms of the reorganization, how long the reorganization proceedings may take, or if such reorganization will ultimately be accomplished. As such, the District makes no representation as to if or when the described proposed reorganization will occur, including whether any such proposal would meet all necessary legal requirements and conditions, and/or receive all necessary approvals, or what the financial consequences might be, if any.

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DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. 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 average daily attendance ("**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 (the **"2013-14 Budget"**) replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (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 gain 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 will be 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 was phased in over a period of five fiscal years. 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 had 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 in connection with adoption of the State Budget for said fiscal year.

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.

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

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 Budget 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 determined pursuant to LCFF, and not as a Basic Aid district.

Accounting Practices

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

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

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

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

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

Financial Statements

General. The District's Audited Financial Statements for the fiscal year ending June 30, 2019, were prepared by Moss, Levy & Hartzheim LLP, Certified Public Accountants, Culver City, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2019 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.

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General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the General Fund of the District for the fiscal years 2014-15 and 2015-16. Audited financial statement data for fiscal year 2016-17 through 2018-19 is presented in a separate table on the following page due to a change in presentation format.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2014-15 and 2015-16 (Audited)
Santa Monica-Malibu Unified School District

Revenues	Audited 2014-15	Audited 2015-16
LCFF	$89,411,347	$84,050,735
Federal Revenue	4,100,724	4,743,062
Other State Revenue	6,348,209	13,923,989
Other Local Revenue(2)	43,942,246	44,559,683
Total Revenues	143,802,526	147,277,469
Expenditures		
Instruction	83,308,865	87,814,401
Instruction-Related Activities:		
Instructional Supervisions & Administration	4,979,233	5,626,373
Instructional Library, Media & Technology	1,304,840	1,409,792
School Site Administration	9,053,242	9,162,226
Pupil Services:		
Home-to-School Transportation	2,099,154	1,915,293
Food Services	27,254	84,112
All Other Pupil Services	9,990,840	11,482,927
General Administration:		
Centralized Data Processing	950,568	1,045,128
All Other General Administration	7,153,746	8,189,390
Plant Services	13,827,776	14,880,423
Facility Acquisition & Maintenance	--	--
Ancillary Services	793,885	734,140
Community Services	1,769,681	1,962,433
Transfers to Other Agencies	--	--
Debt service:		
Principal	50,900	49,106
Interest and Other	2,488	4,282
Total Expenditures	135,312,472	144,360,026
Excess (Deficiency) of Revenues Over/(Under) Expenditures	8,490,054	2,917,443
Other Financing Sources (Uses)		
Transfers In	--	--
Other Sources	137,119	--
Transfer outs	(430,119)	(584,491)
Total Other Financing Sources (Uses)	(293,000)	(584,491)
Net Change in Fund Balances	8,197,054	2,332,952
Fund Balances, Beginning of Fiscal Year (July 1)	27,277,415	35,474,469
Fund Balances, End of Fiscal Year (June 30)	$35,474,469	$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.

District Budget and Interim Financial Reporting

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

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

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

For a district whose budget has been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

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

District's Budget Approval/Disapproval and Certification History. In the past five years, each of the District's interim reports has been certified as positive, and each of its budgets has been approved by the County Superintendent. The District's budget for fiscal year 2020-21 was approved by the Board on June 25, 2020.

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 2019-20 (Unaudited Actuals) and Fiscal Year 2020-21 (Adopted Budget). The following table shows the income and expense statements for the District's general fund for fiscal year 2019-20 (Unaudited Actuals) and fiscal year 2020-21 (Adopted Budget).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE(1)
Fiscal Year 2019-20 (Unaudited Actuals)
Fiscal Year 2020-21 (Adopted Budget)
Santa Monica-Malibu Unified School District

Revenues	2019-20 Unaudited Actuals	2020-21 Adopted Budget
LCFF	$101,501,395	$103,802,315
Federal Revenues	4,375,910	4,161,631
Other State Revenues	3,611,082	3,072,544
Other Local Revenues(2)	53,849,229	49,307,499
Total Revenues	163,337,617	160,343,989
Expenditures		
Certificated Salaries	66,265,718	65,646,473
Classified Salaries	30,149,434	32,250,304
Employee Benefits	40,611,172	43,488,522
Books & Supplies	3,390,928	3,270,825
Contract Services & Operating Exp.	20,046,091	20,591,353
Capital Outlay	256,911	270,050
Other Outgo (Excluding Indirect Costs)	16,448	225,000
Other Outgo – Transfers of Indirect Costs	(596,454)	(765,009)
Total Expenditures	160,140,250	164,977,518
Excess of Revenues Over/(Under) Expenditures	3,197,367	(4,633,529)
Other Financing Sources (Uses)		
Operating Transfers In	--	--
Operating Transfers Out	(2,850,000)	(3,100,000)
Other Sources	--	250,000
Contributions	--	--
Total Other Financing Sources/(Uses)	(2,850,000)	(2,850,000)
Net Change in Fund Balance	569,863	(7,483,529)
Fund Balance, July 1	27,501,457	27,848,825
Fund Balance, June 30	$27,848,825	$20,365,296

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

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

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

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

The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered in the future, or when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending.

For fiscal year 2019-20, the general fund ending balance of $27,848,825 (Unaudited Actual) include reserves as follows:

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Fiscal Year 2019-20 General Fund Reserve Balance
(Unaudited Actual)

Non-spendable Revolving Cash:	$20,004
Prepaid Items	170,363
Restricted:	5,604,354
Unassigned:	22,054,104
Total	$27,848,825

Source: Santa Monica-Malibu Unified School District.

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 2020-21 (Projected), not including other sources such as federal and local sources.

ADA AND LCFF/BASIC AID FUNDING TRENDS
Fiscal Years 2013-14 through 2020-21 (Projected)
Santa Monica-Malibu Unified School District

Fiscal Year	ADA[1]	Total LCFF/Basic Aid Funding
2013-14	10,817	$69,622,777
2014-15	10,785	89,411,347
2015-16	10,791	84,050,735
2016-17	10,709	91,388,861
2017-18	10,476	102,347,355
2018-19	10,095	96,068,194
2019-20[2]	9,545	101,501,395
2020-21[2]	9,783	103,802,315

(1) P-2 and 2020-21 Budgeted.
(2) The District became a Basic Aid district commencing in fiscal year 2017-18. As Basic Aid, funding entitlement is not based on ADA but the District is entitled to keep its share of local property taxes which exceed its LCFF funding entitlement.
Source: Santa Monica-Malibu Unified School District.

As a Basic Aid District, the District currently receives approximately $21.339 million more than what it would have been entitled to under LCFF.

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

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.

Revenue Sources

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

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

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

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

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

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

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

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

> ***Parcel Tax Measure - Measure R****:* In February 2008, the District successfully passed Measure R with a 73% affirmative vote, whereby District voters authorized a $346 per parcel tax, subject to annual inflation and with no sunset provision. The proceeds from Measure R 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 received $2.2 million in foundation revenues in fiscal year 2019-20.
>
> ***City Sales Tax Measure (2010):*** In November 2010, the voters in the City of Santa Monica successfully passed Measure Y, authorizing an additional 0.5% transaction use tax in the City of Santa Monica. Measure YY was a companion advisory measure, asking voters if half of the revenue generated by Measure Y should go to education funding, which was also approved. Measure Y has no termination date. The District received approximately $6.250 million in Measure Y revenues in fiscal year 2019-20.
>
> ***City Sales Tax Measure (2016):*** In November 2016, the voters in the City of Santa Monica successfully passed Measure GSH, authorizing an additional 0.5% transaction use tax in the City of Santa Monica. Measure GSH was a companion advisory measure, asking voters if half of the revenue generated by Measure GSH should to education funding, which was also approved. Measure GSH has no termination date. The District received approximately $6.250 million in Measure GSH revenues in fiscal year 2019-20.
>
> ***Master Facilities Use Agreements.*** The District is party to master facilities use agreements (the "**Agreements**") with the City of Santa Monica and the City of

Malibu. The Agreements provided approximately $9.9 million in revenue in fiscal year 2019-20. The Agreements are set to expire on June 30, 2022, although the Agreements may be renegotiated and extended.

In addition, in order to address expenses arising due to the COVID-19 pandemic, the District has also received federal and State funding in fiscal year 2020-21, which funds are generally expected to be one-time funds and not available on an ongoing basis.

District Retirement Systems

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

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. See "APPENDIX B - Audited Financial Statements of the District For Fiscal Year Ending June 30, 2019" for further information.

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

STRS Contributions
Santa Monica-Malibu Unified School District

Fiscal Year	Amount
2011-12	$4,641,990
2012-13	4,495,038
2013-14	4,728,018
2014-15	5,351,836
2015-16	6,904,034
2016-17	6,814,032
2017-18	9,697,850
2018-19	10,997,978
2019-20(1)	11,027,786
2020-21(1)	10,708,042

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

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $102.6 billion as of June 30, 2019 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to fund the unfunded actuarial obligation with respect to service credited members of the STRS Defined Benefit Program before July 1, 2014, within 32 years. AB 1469 increased contributions by employees, employers and the State in an effort to address unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 were 10.73%, 12.58%, 14.43%, 16.28% and 17.10% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

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

Fiscal Year	Employer Contribution Rate(1)
2020-21(2)	16.15%
2021-22(2)	16.02
2022-23	18.10

(1) Expressed as a percentage of covered payroll. Projected rates may change.
(2) Reflects changes to such rates included in the State's 2020-21 Budget.
Source: AB 1469.

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

PERS Contributions
Santa Monica-Malibu Unified School District

Fiscal Year	Amount
2011-12	$2,530,071
2012-13	2,691,403
2013-14	2,781,066
2014-15	3,032,057
2015-16	3,288,624
2016-17	3,288,625
2017-18	4,789,203
2018-19	5,524,528
2019-20[1]	5,345,436
2020-21[1]	6,991,257

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

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $31.3 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 three years according to the following schedule.

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

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

Source: PERS.

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

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 were 11.847%, 13.888%, 15.531%, 18.062%, and 19.721% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2020-21 through fiscal year 2022-23 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	22.840
2022-23	25.500

(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.
Source: PERS

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

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

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

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

Additional Information*.* Additional information regarding the District's retirement programs is available in Note 12 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 Benefits

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

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

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

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

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

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2019, is shown in the following table:

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

	Total OPEB Liability
Total OPEB Liability - Balance at June 30, 2018	$42,740,577
Service Cost	2,077,187
Interest	2,100,375
Changes of Assumptions	5,561,651
Benefit payments	(1,484,273)
Net changes	8,254,940
Total Balance at June 30, 2019	$50,995,517
OPEB Fiduciary Net Position	
Contributions from Employer	1,484,273
Net Investment Income	343,772
Administrative Expenses/Trustee Fees	(4,713)
Benefit Payments	(1,484,273)
Net Changes in Plan Fiduciary Net Position	339,059
Plan Fiduciary Net Position as of June 30, 2019	5,869,229
District's Net OPEB Liability as of June 30, 2019	$45,126,288

Source: District Audit Report.

The Plan's net OPEB liability, which takes into account the employer contributions to trust and trust benefit payments, is $45,126,288 as of June 30, 2019.

OPEB Expense. For the year ended June 30, 2019, the District recognized an OPEB expense of $4,538,678.

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.

Long-Term Borrowing of the District

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* 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	Outstanding Principal Amount*
District-wide GO Bonds				
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20%-5.38%	$5,986,656
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00%-5.00%	15,830,000
Election 2006, Series D	3/19/2013	7/1/2037	0.17%-5.00%	5,760,000
Election 2012, Series B	7/1/2015	7/1/2040	1.00%-3.70%	4,515,000
2015 Refunding Bonds	11/10/2015	8/1/2034	3.25%-5.00%	46,035,000
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	1.00%-4.00%	26,895,000
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	3.00%	660,000
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	2.00%-4.00%	52,140,000
Election 2012, Series C	6/21/2017	7/1/2042	3.125%-5.00%	34,050,000
Election 2012, Series D	9/6/2018	8/1/2043	1.360-5.00%	70,945,000
Election of 2012, Series E	11/6/2019	8/1/2036	0.950-2.510%	115,000,000
2019 Refunding Bonds	11/6/2019	8/1/2043	1.590-3.114%	103,850,000
2020 Refunding Bonds	8/5/2020	8/1/2040	0.301-2.314%	74,720,000
District-wide Totals	--	--	--	**$556,386,656**
SFID GO Bonds				
SFID 1, Election 2018, Series A	10/2/2019	8/1/2049	3.00%-4.00%	$95,635,000
SFID 2, Election 2018, Series A	10/2/2019	8/1/2049	3.00%-4.00%	29,990,000
SFID TOTALS:				**$125,625,000**

*As of November 1, 2020.

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

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

Issue Name	Issue Date	Final Maturity Date	Interest Rates	Original Principal Amount	Outstanding Principal Amount*
COPs of 2001, Series C	11/15/2001	05/01/2025	3.50%-5.40%	$15,206,501	$3,234,390
2010 Refunding COPs, Series B	12/01/2010	05/01/2024	2.00%-5.00%	8,015,000	1,325,000 †
TOTALS:				**$23,221,501**	**$4,559,390**

*As of November 1, 2020; Does not include accreted interest.
†A portion of the proceeds of the Certificates will be applied to prepay the 2010 Certificates in full.
Source: District Audited Financial Statement.

The 2010B Certificates are expected to be prepaid in full with the proceeds of the Certificates described herein. See "THE FINANCING AND REFINANCING PLAN" herein.

REDEVELOPMENT FACILITIES PASS-THROUGH REVENUES

AB 1290 Pass-Through Facilities Funds

The District has a revenue source that is derived from what is referred to as "AB 1290 Pass-Throughs", which relate to two Project Areas of the former Santa Monica Redevelopment Agency, being the Earthquake Recovery Project Area and Downtown Project Area. Under State law, 56.7% of AB 1290 Pass-Throughs from each of the Project Areas received by the District are effectively restricted to expenditures on educational facilities (the **"Redevelopment Facilities Pass-Through Revenues"**). Under State law, the District is entitled to continue to receive the Redevelopment Facilities Pass-Through Revenues until the applicable "Successor Agency" terminates and all enforceable obligations have been paid. The District expects to continue to receive said payments through fiscal year 2041-42.

The District covenants in the Lease Agreement to pay to the Trustee in each Fiscal Year, for deposit into the Lease Payment Fund, an amount of Redevelopment Facilities Pass-Through Revenues until such time as the amount so deposited with the Trustee is sufficient to pay when due the Lease Payments coming due and payable in such Fiscal Year. At such time during any Fiscal Year as the amount on deposit in the Lease Payment Fund is sufficient to pay the remaining Lease Payments coming due and payable in such Fiscal Year, the District is not obligated to deposit any additional Redevelopment Facilities Pass-Through Revenues with the Trustee during such Fiscal Year. The Redevelopment Pass-Through Revenues are not pledged to the payment of the Lease Payments, and the District may apply the Redevelopment Facilities Pass-Through Revenues for other authorized purposes.

Certain Findings and Assumptions

The District has engaged Public Economics, Inc., of Orange, California, to serve as the District's redevelopment revenue fiscal consultant (the **"Fiscal Consultant"**). In connection with the Certificates, the Fiscal Consultant analyzed the Project Areas and the District's Redevelopment Facilities Pass-Through Revenues, and prepared certain future projections of said revenues which include certain assumptions noted in the footnotes to the following two tables. In addition to assumptions included in the footnotes to the tables below, certain assumptions and findings of note include but are not limited to:

1. Projections assume two percent annual assessed value growth and 100% tax increment collection rates, reduced, however, for potential adverse microeconomic impacts of COVID-19 in both Project Areas.

2. Duration of future facilities pass-through amounts to the District have a twenty-two year duration based on the duration of the former redevelopment agency's longest-running enforceable obligation.

3. Of total future Facilities Pass-Throughs projected to repay the Certificates over twenty-two years, 45.4% depend on future growth in assessed value but not on future tax increment and tax increment collection rates and 54.6% depend on future growth in assessed value and future tax increment and tax increment collection rates.

4. Facilities Pass-Throughs are not subordinated to redevelopment bonds which have previously been issued by the former Redevelopment Agency of the City of Santa Monica, including refunding bonds (if any) of its Successor Agency.

5. The Earthquake Recovery Project Area is larger than the Downtown Project Area, accounting for more than 97% of incremental assessed value (hence, tax increment) generated by both Project Areas combined.

6. Over the last ten years, assessed value growth rates in both Project Areas combined have averaged 5.65% per annum (including 5.67% in fiscal year 2019-20 and 9.39% in fiscal year 2018-19), however, assumed future assessed value growth is only 2% in the below table, reduced further for potential adverse impacts of COVID-19.

Historical Facilities Portion of Pass-Through Payments

The following table identifies a recent history of Redevelopment Facilities Pass-Through Revenues received and budgeted by the District.

FACILITIES PORTION OF PASS-THROUGH PAYMENTS
Fiscal Years 2014-15 through 2019-20
Santa Monica-Malibu Unified School District

Fiscal Year	Total Payments
2014-15	$2,510,966
2015-16[1]	5,003,545
2016-17[1]	6,772,266
2017-18[1]	7,261,845
2018-19[2]	4,129,606
2019-20[3]	4,470,085

(1) Includes District's proportionate share of ERAF's share of Facilities portion of Pass-Through Payments as determined pursuant to legal proceedings effective as of fiscal year 2015-16.
(2) Excludes District's proportionate share of ERAF's share of Facilities portion of Pass-Through Payments based on District's status as "basic aid" District, effective commencing with fiscal year 2018-19.
(3) Estimate (excludes small "true-up" payment for fiscal year 2019-20 due in January 2021.
Source: Public Economics, Inc.

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Projected Debt Service Coverage from Pass-Through Payments

The following table sets forth projected annual debt service coverage for debt service due on the Certificates based on projected receipt of Redevelopment Facilities Pass-Through Revenues. Certain assumptions used with respect to debt service coverage are identified in the footnotes to the table.

PROJECTED ANNUAL DEBT SERVICE COVERAGE
Fiscal Years 2021-22 through 2041-42 (Projected)
Santa Monica-Malibu Unified School District

Period Ending April 30	Total Lease Payments(1)	Redevelopment Facilities Pass-Through Revenues (2)(3)(4)	Coverage(5)
2021	$335,720.00	$4,571,751.62	13.61775
2022	367,800.00	4,571,751.62	12.42999
2023	1,678,000.00	4,792,432.55	2.85604
2024	1,801,000.00	4,756,773.92	2.64118
2025	1,478,000.00	4,898,695.16	3.31441
2026	1,521,600.00	5,044,567.82	3.31530
2027	1,567,600.00	5,241,854.90	3.34387
2028	1,615,800.00	5,443,086.60	3.36866
2029	1,661,000.00	5,648,344.57	3.40057
2030	1,713,200.00	5,857,706.48	3.41916
2031	1,762,000.00	6,071,256.26	3.44566
2032	1,817,400.00	6,289,076.12	3.46048
2033	1,869,000.00	6,511,253.93	3.48382
2034	1,926,800.00	6,737,874.76	3.49692
3035	1,985,400.00	6,970,221.72	3.51074
2036	2,044,600.00	7,207,215.81	3.52500
2037	2,104,200.00	7,448,948.89	3.54004
2038	2,169,000.00	7,695,517.35	3.54796
2039	2,233,600.00	7,947,017.57	3.55794
2040	2,297,800.00	8,203,547.08	3.57017
2041	2,371,400.00	8,465,207.94	3.56971
2042	2,438,800.00	8,732,100.51	3.58049
Total	$38,759,720.00	$139,106,203.17	--

(1) Debt service for the Certificates. See "THE FINANCING AND REFINANCING PLAN."

(2) Projected 56.7% of AB 1290 Pass-Throughs owed to District for two redevelopment project areas of the former Santa Monica Redevelopment Agency: Earthquake Recovery Project Area and Downtown Project Area. Amounts shown are effectively restricted to educational facilities (including payment of debt service with respect to the Certificates). Amounts exclude 43.3% of AB 1290 Pass-throughs that are not restricted to facilities.

(3) Projected Facilities Pass-Throughs assume (i) 2% annual growth in assessed value in both Project Areas, and 100% annual collection rates of property taxes in both Project Areas; (ii) reduced for adverse microeconomic impacts of COVID-19 in both Project Areas of three years less than 2% annual growth (22/23, 23/24, and 24/25) and two years of 90% annual collection rates (2020-21 and 2021-22).

(4) Facilities Pass-Throughs projected to continue for 22 future years (through fiscal year 2041-42), based on continuation of Redevelopment Property Tax Trust Fund and Santa Monica Successor Agency through payoff of longest running obligation (2011 Earthquake bonds redeemed on July 1, 2042) shown on Recognized Obligation Payment Schedule 20-21 approved by State Department of Finance (and expressly confirmed by Successor Agency staff).

(5) Represents coverage of net debt service divided into projected Facilities Pass-Throughs as calculated by the Underwriters.

Source: Public Economics, Inc.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

Background

***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. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California which are not funded as Basic Aid school districts, are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The 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. None of the District, the Underwriters or the County is 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.

Available Public Resources

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

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

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

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

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 resulting in the State undertaking 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 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:

- Reserve Draw Down: 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.

- Triggers: 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.

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

- Revenues: 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 percent 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 percent to approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The PERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent 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 percent ($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 percent ($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.

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.

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 State's budgets are expected to be impacted by the COVID-19 emergency described herein. The District cannot predict the impact that the State's current or future budgets, will have on its own finances and operations.

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

Availability of State Budgets

The complete 2020-21 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Certificates.

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.

PROPERTY TAXATION

School districts in the State derive some of their operating revenues from their share of local property taxes. The Certificates are secured by Lease Payments to be budgeted and appropriated annually from the District's general fund, and not from the levy and collection of property taxes.

Property Tax Collection Procedures

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

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

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

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the superior court 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 6, 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, including 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.

Assessed Valuations

Generally. The assessed valuation of property in the District is established by the Los Angeles County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.” Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Assessed Valuation History. The following table sets forth recent history of the assessed value in the District, as of the date of the equalized assessment tax roll is established in August of each year.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2007-08 through 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2007-08	$30,979,608,027	$748,365	$945,897,733	$31,926,254,125	--
2008-09	34,149,910,669	743,365	1,068,927,968	35,219,582,002	10.30%
2009-10	35,503,955,528	743,365	1,013,023,685	36,517,722,578	3.69
2010-11	35,472,276,201	742,365	924,337,416	36,397,355,982	(0.33)
2011-12	36,630,191,253	742,365	945,862,922	37,576,796,540	3.24
2012-13	38,076,707,329	742,365	1,024,110,696	39,101,560,390	4.06
2013-14	40,617,029,286	742,365	1,019,369,137	41,637,140,788	6.48
2014-15	42,675,355,728	742,365	1,015,391,498	43,691,489,591	4.93
2015-16	45,872,429,243	--	1,004,302,267	46,876,731,510	7.29
2016-17	48,908,126,347	--	1,002,069,877	49,910,196,224	6.47
2017-18	51,184,249,150	--	1,038,846,486	52,223,095,636	4.63
2018-19	55,406,782,360	--	1,111,460,426	56,518,242,786	8.22
2019-20	58,266,094,814	--	1,122,161,830	59,388,256,644	5.07
2020-21	61,811,531,137	--	1,224,690,094	63,036,221,231	6.14

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, or epidemics such as COVID-19. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, including in September and October of 2020, and related flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Seismic activity is also a risk in the region where the District is located

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

Currently the world is experiencing a global pandemic as a result of the outbreak of COVID-19 which could result in an economic recession or depression that could cause general marked declines in property values. For disclosure relating to the COVID-19 emergency, see also "SECURITY FOR THE CERTIFICATES – Disclosure Relating to Coronavirus."

The District cannot predict or make any representations regarding the effects that wildfires, other type of natural or manmade disasters and related conditions or economic 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.

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Top Twenty Property Taxpayers

The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2020-21 tax roll, and the assessed valuations thereof, are shown below. The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. 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.

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.	SC Enterprises SMBP LLC	Commercial	$736,338,000	1.19%
2.	CA Colorado Center LLC	Office Building	553,924,783	0.90
3.	Water Garden Realty Holding LLC	Office Building	537,201,069	0.87
4.	Office Block Investment LLC	Office Building	390,100,060	0.63
5.	Douglas Emmett LLC	Office Building	359,291,344	0.58
6.	SM Campus LLC	Office Building	327,930,000	0.53
7.	New Santa Monica Beach Hotel LLC	Hotel	306,494,210	0.50
8.	DE Pacific 233 LLC	Office Building	302,444,278	0.49
9.	SMBP LLC	Office Building	285,600,000	0.46
10.	Macerich SMP LP	Shopping Center	250,443,467	0.41
11.	MDP SPE 1 LP	Commercial	237,941,155	0.38
12.	LT Owner LLC	Office Building	210,865,000	0.34
13.	Hart Arboretum LLC	Apartments	188,883,964	0.31
14.	Santa Monica Hotel Owner LLC	Hotel	169,371,000	0.27
15.	Arboretum Courtyard LLC	Office Building	157,620,600	0.26
16.	DE Pacific 233 LLC	Office Building	148,038,516	0.24
17.	Kite Pharma Inc.	Industrial	144,303,480	0.23
18.	Carbonview Limited LLC	Residential	142,454,582	0.23
19.	Palmetto Hospitality of Santa Monica	Hotel	137,617,971	0.22
20.	Jamestown Premier Malibu Village LP	Shopping Center	134,507,520	0.22
			$5,721,370,999	9.26%

(1) 2020-21 Local Secured Assessed Valuation: $61,811,531,137
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

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

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquency Rates
Fiscal Years 2009-10 through 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) Debt service levy only. Includes levy for bonds of SFID 1 and SFID 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 CERTIFICATES – Disclosure Relating to the COVID-19.”

Debt Obligations

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. with respect to debt issued as of October 15, 2020. 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.

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of October 15, 2020

2020-21 Assessed Valuation: $63,036,221,231

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/15/20
Metropolitan Water District	1.932%	$ 622,684
Los Angeles Community College District	0.011	456,066
Santa Monica Community College District	100.	568,587,960
Santa Monica-Malibu Unified School District	**100.**	**556,386,656**
Santa Monica-Malibu Unified School District SFID No. 1	**100.**	**95,635,000**
Santa Monica-Malibu Unified School District SFID No. 2	**100.**	**29,990,000**
City of Santa Monica	99.998	2,134,957
City of Malibu Community Facilities District No. 2006-1	100.	2,955,000
City of Malibu Broad Beach Assessment District and Assessment District No. 2015-1	100.	7,840,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,264,608,323

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	3.689%	$ 84,976,215
Los Angeles County Superintendent of Schools Certificates of Participation	3.689	168,417
Santa Monica Community College District Certificates of Participation	100.	12,034,033
Santa Monica-Malibu Unified School District Certificates of Participation	**100.**	**4,559,389(1)**
City of Malibu Certificates of Participation	100.	66,255,000
City of Santa Monica General Fund Obligations	99.998	147,282,054
City of Westlake Village Certificates of Participation	0.007	1,049
Los Angeles County Sanitation District No. 27 Authority	100.	46,902
GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$315,323,059
Less: City of Malibu supported obligations		9,050,000
NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$306,273,059

OVERLAPPING TAX INCREMENT DEBT:		
Santa Monica Redevelopment Agency (Successor Agency)	100. %	$73,190,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		$73,190,000
GROSS COMBINED TOTAL DEBT		$1,653,121,382 (2)
NET COMBINED TOTAL DEBT		$1,644,071,382

Ratios to 2020-21 Assessed Valuation:

Direct Debt ($682,011,656) 1.08%
Total Direct and Overlapping Tax and Assessment Debt . 2.01%
Combined Direct Debt ($686,571,045)......................... 1.09%
Gross Combined Total Debt 2.62%
Net Combined Total Debt 2.61%

Ratios to Redevelopment Incremental Valuation ($15,373,512,398):

Total Overlapping Tax Increment Debt 0.48%

(1) Excludes the Certificates. Includes the 2010B Certificates. See "THE FINANCING AND REFINANCING PLAN."
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc

COUNTY INVESTMENT POOL

In accordance with Government Code Section 53600 *et seq*., the Los Angeles 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 hereto for a copy of Los Angeles County's Investment Policy and Investment Report.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 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.

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the 2010 Note), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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 Lease Payments and therefore payments due on the Certificates.

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 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 fiscal year 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.

Proposition 30 and Proposition 55

Proposition 30 appeared on the November 6, 2012 statewide ballot as an initiated constitutional amendment ("**Proposition 30**"), and it was approved by State voters. Proposition 30 increased the State sales tax from 7.25 percent to 7.50 percent, increased personal income tax rates on higher income brackets for seven years, and temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax is 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 $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for joint filers).

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

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a 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. Proposition 55 did not extend the sales and use tax increase that was approved as part of Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

Future Initiatives and Changes in Law

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 1A, 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.

CERTAIN RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, or the effectiveness of any remedies that the Trustee may have or circumstances under which Lease Payments may be abated. Finally, the order in which the following is presented is not intended to reflect the relative importance of any particular risk factor.

No Pledge of Taxes

The Lease Payments and other payments due under the Lease Agreement are not secured by any pledge of taxes or other revenues of the District. The Lease Payments are secured by a District covenant to annually budget and appropriate sufficient funds to make Lease Payments from any lawfully available funds, including the District's general fund. In the event that the District's general fund revenues are less than its total obligations, the District may choose to pay other costs or expenses before making the Lease Payments.

The obligation of the District to pay the Lease Payments and Additional Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Corporation, the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the District has covenanted in the Lease Agreement that, for as long as the Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

The District is currently liable on other obligations payable from general revenues and may incur additional obligations payable from its general fund.

Additional Obligations of the District

The District has existing obligations payable from its general fund. See "DISTRICT FINANCIAL INFORMATION – Long Term District Debt - Long Term Lease Obligations." In addition, under the Lease Agreement the District is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of owners of the Certificates. To the extent that additional obligations are incurred by the District, the funds available to pay Lease Payments may be decreased.

Decline in Economic Conditions: COVID-19

The COVID-19 pandemic is expected to result in a major economic recession in the United States and world-wide. The District is unable to predict all of the economic consequences of the COVID-19 emergency on its finances, local property values, and other possible consequences that cannot be predicted at this time.

Because the District is a Basic Aid District, reductions in education funding from the State resulting from a declining economy are not likely to impact the District. However, there is the possibility that declines in the economy could also result in declines in assessed values, which would impact the amount of the District's funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" herein.

No Reserve Fund

No reserve fund has been established for the Certificates. A reserve would provide a certain amount of funds to make debt service payments on the Certificates in the event that there was a failure by the District to pay Lease Payments resulting from a failure to budget and appropriate, or due to damage, destruction or eminent domain resulting in an abatement of Lease Payments. Although the District is required to maintain rental interruption insurance and property damage insurance which would provide a source of payment in the event of damage or destruction, if the District fails to budget and appropriate the Lease Payments, the remedy would be to pursue legal and equitable remedies for enforcement. The Lease Payments are not in any event subject to acceleration. See the following discussions of "-Limited Recourse on Default" and "-Abatement.

Decline in Redevelopment Facilities Pass-Through Revenues

The District has engaged the Fiscal Consultant to assist in projecting the District's Redevelopment Facilities Pass-Through Revenues during the term of the Certificates. There are a number of assumptions underlying the Fiscal Consultant's projections. It is possible that actual facts will occur which might result in reduced Redevelopment Facilities Pass-Through Revenues to be available for the purpose of making Lease Payments. In such event, the District would have to make such payments from its General Fund. There is no guarantee that such funds will be available of sufficient to make the Lease Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" and "REDEVELOPMENT FACILITIES PASS-THROUGH REVENUES."

Limited Recourse on Default

Whenever any event of default referred to in the Lease Agreement happens and continues, the Trustee, as the assignee of the Corporation, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement.

Notwithstanding a default under the Lease Agreement, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then due or past due to be immediately due and payable. Neither the Corporation nor the Trustee has any right to re-enter or re-let the Leased Property except following the occurrence and during the continuation of an event of default under the Lease Agreement.

Following an event of default, the Corporation may elect either to terminate the Lease Agreement and seek to collect damages from the District or to maintain the Lease Agreement in effect and seek to collect the Lease Payments as they become due. The Lease Agreement further provides that so long as an event of default exists under the Lease Agreement, the Corporation, or its assignee, may re-enter the Leased Property for the purpose of taking possession of all or any portion of the Leased Property and to re-let the Leased Property and, in addition, at its option, with or without such entry, to terminate the Lease Agreement as described therein. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement."

No assurance can be given that the Trustee will be able to re-let the Leased Property so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest with respect thereto from gross income for federal or State income tax purposes. Due to the essential governmental purposes which are served by the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to the Leased Property.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the Term of the Lease and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto. The District will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

The obligation of the District under the Lease Agreement to pay Lease Payments is in consideration of the use and possession of the Leased Property.

Under certain circumstances relating to damage, destruction, condemnation or title defects with respect to the Leased Property which cause a substantial interference with the use and possession of the Leased Property, the District's obligation to make Lease Payments is subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates as and when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement." Abatement is not a default under the Lease Agreement and does not result in the Trustee having the right to take any action to avail itself of any remedy against the District.

Property Taxes

Levy and Collection. The District does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the District's share of local property tax revenues, and accordingly, could have an adverse impact on the ability of the District to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to pay principal and interest with respect to the Certificates when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The District is unable to predict if any adjustments to the full cash value base of real property within the District, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> Proposition 8 Appeals. Most of the appeals that might be filed in the District would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the 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.
>
> Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.
>
> Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values 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. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to the 2% limitation. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution – Inflationary Adjustment of Assessed Valuation."

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their 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.

No assurance can be given that property tax appeals in the future will not significantly reduce the District's property tax revenues.

Local Housing Market. Economic downturns can have a negative impact on local property values. High rates of foreclosures tend to depreciate values of homes in the overall market, which could lead to more Proposition 8 appeals. Although the District's total assessed valuation has been increasing in recent years, it is not possible to predict how the COVID-19 pandemic, a future mortgage crisis, tightening credit markets, increased foreclosure activity and major reductions in home prices throughout the region could affect home values, assessed values, assessment appeals or collections of property taxes by the County.

State Budget Considerations

Most school districts in California operate as LCFF-funded school districts and as such receive a significant amount of their funding from State appropriations, as determined in each year's State Budget. As a result, decreases in State revenue sources may impact the amount of funds appropriated to school districts, as has occurred in recent years. As described herein, the District operates as a Basic Aid District so reductions in assessed values will more directly impact the District's funding that the State's reductions in education funding.

However, the State legislature has at times adopted legislation in connection with its annual budgets which may impact the manner of education funding, and may do so again in the future. Furthermore, the State has implemented funding deferrals as a budgeting technique, which will impact the District's cash flow.

The District cannot predict how State budgets and future legislation, if any, may impact its finances.

Absence of Earthquake and Flood Insurance

If any portion of the Leased Property is destroyed or rendered useless by any form of natural hazard such as a fire, an earthquake or flood, an abatement could occur and result in the Trustee having inadequate funds to pay the principal and interest represented by the Certificates as and when due. The Lease Agreement does not require the District to obtain earthquake or flood insurance on the Leased Property. As such, if damage or destruction occurs due to earthquake or flood, insurance proceeds will not be available for deposit into the Insurance and Condemnation Fund and applied to pay the Certificates or rebuild the Leased Property.

All building components of the Leased Property were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the "most credible" earthquake likely to occur in the vicinity of the building system being constructed.

Early Prepayment of Certificates

As described herein, the Certificates are subject to prepayment from Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease Agreement and the Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium. The resulting prepayment of Certificates that were purchased at a price greater than the applicable prepayment price (if any) could reduce the otherwise expected yield on such Certificates.

Substitution and Release of Property

The Site Lease and the Lease Agreement permit the District to substitute other property (the "Substitute Property") for the Leased Property upon satisfaction of certain conditions, including a requirement that the District certify that the estimated value of the Substitute Property is at least equal to the aggregate original principal amount of the Certificates, and the fair rental value of the Substitute Property is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

In the event that the District utilizes the provisions of the Lease Agreement permitting the substitution or release of property, no assurance can be given that estimated value of the property which is leased under the Site Lease and the Lease Agreement will exceed the aggregate original principal amount of the Certificates. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement" for a more detailed description of the substitution and release provisions of the Lease Agreement.

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the District's obligations under the Lease Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the District, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. See "– Limited Recourse on Default" above.

LEGAL OPINIONS

The proceedings in connection with the authorization, sale, execution and delivery of the Certificates are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California (“**Special Counsel**”). A copy of the legal opinion with respect to the Certificates, certified by the official in whose office the original is filed, will be attached to each Certificates, and the form of the opinion is attached as Appendix D hereto. Jones Hall, A Professional Law Corporation, San Francisco, California, is also acting 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**”).

The fees of Special Counsel, Disclosure Counsel, the Trustee, the Underwriters and Underwriters’ Counsel are contingent upon the execution and delivery of the Certificates.

FINANCIAL ADVISOR

Isom Advisors, A Division of Urban Futures, Inc., Walnut Creek, California, is acting as the District’s financial advisor (the “**Financial Advisor**”) in connection with the Certificates. The Financial Advisor is a registered “Municipal Advisor” with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Financial Advisor with respect to the Certificates are contingent upon their sale and delivery. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

TAX MATTERS

Tax-Exempt Status

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates 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**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. 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 execution and delivery of the Certificates.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Certificate 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 at which a Certificates 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 Certificates 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 Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificates. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificates (said term being the shorter of the Certificate'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 Certificates for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificates is amortized each year over the term to maturity of the Certificates on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificates premium is not deductible for federal income tax purposes. Owners of premium Certificates, 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 Certificates.

California Tax Status. In the further opinion of Special Counsel, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Form of Opinion. At the time of issuance of the Certificates, Special Counsel expects to deliver an opinion for the Certificates in substantially the form set forth in Appendix D.

Other Tax Considerations

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or may cause interest with respect to the Certificates to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

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

NO LITIGATION

There is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the execution or delivery of the Certificates, the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement or any other document relating to the Certificates or in any way contesting or affecting the validity of the foregoing.

The District is subject to lawsuits and claims that arise in the regular course of administering the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District. The District cannot predict any claims or liabilities which may arise in the future, including any liabilities that may arise as a result of the COVID-19 pandemic.

VERIFICATION

Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"), upon delivery of the Certificates, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Certificates and other funds deposited into the Prepayment Fund and available to provide for the prepayment of the principal and interest of the 2010B Certificates.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

RATING

Moody's Investors Services ("**Moody's**") has assigned a rating of "Aa1" to the Certificates. The District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement because it is not material for purposes of making an investment decision). Such rating reflects only the views of Moody's and an explanation of the significance of such rating and related outlook may be obtained only from Moody's. There is no assurance that any credit rating given to the Certificates will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Certificates.

CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board on an annual basis (an "**Annual Report**") not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2021, with the report for the 2019-20 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and other required notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**") in the manner prescribed by the Securities Exchange Commission. The specific nature of such information is set forth below under the caption APPENDIX E – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (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 engaged a Isom Advisors, A Division of Urban Futures, Inc. to serve as its dissemination agent to assist it with its undertakings, including the undertaking in connection with the Certificates.

Neither the County, the Corporation nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

UNDERWRITING

The Certificates are being purchased by Raymond James & Associates, Inc. ("**Raymond James**"), on behalf of itself and RBC Capital Markets, LLC ("**RBC**" and together with Raymond James, the "**Underwriters**"). Under a Certificate Purchase Agreement (the "**Purchase Agreement**"), the Underwriters have agreed to purchase the Certificates at the price of $29,974,708.90 (representing the aggregate principal amount of $25,720,000.00, plus original issue premium of $4,357,588.90 and less an Underwriters' discount of $102,880.00). The Purchase Agreement provides that the Underwriters will purchase all of the Certificates (if any are purchased), and the Underwriters' obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriters may offer and sell the Certificates 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.

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.

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.

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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

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to such documents for the complete terms thereof. Copies of such documents are available upon request from the District.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

"Additional Payments" means the amounts payable by the District under the Lease Agreement as descried under the heading "THE LEASE AGREEMENT – Lease Payments; Budget and Appropriation; Abatement – Additional Payments" below.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California, or in any state in which any Office of the Trustee is located.

"Closing Date" means the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriter.

"Completion Date" means, with respect to the District Office Building Project, the date identified as the date of completion thereof in the written certificate of a District Representative which is filed with the Corporation and the Trustee.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Certificates and the refunding of the 2010 Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and the 2010 Trustee (which shall include legal fees and the first annual administration fee), financing discounts, legal fees and charges, insurance fees and charges including title insurance, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, and any charges and fees in connection with the foregoing.

"Cost of Issuance Fund" means the fund by that name established and held by the Trustee under the Trust Agreement.

"District Office Building Project" means the acquisition and improvement of an office building located at 1717 Fourth Street in the City of Santa Monica, to be used as the administrative office building of the District. The District reserves the right to amend the description and scope of the District Office Building Project from time to time in its sole discretion, and to add additional capital projects which will be used for the educational purposes of the District.

"District Representative" means the Superintendent, the Associate Superintendent, Administrative Services, the Assistant Superintendent, Business Services, or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District under or with respect to the Lease Agreement and the Trust Agreement.

"Event of Default" means an event of default under the Lease, as defined in the Lease Agreement.

"Federal Securities" means: (a) any direct general 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), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the District as its fiscal year pursuant to written notice filed with the Trustee.

"Insurance and Condemnation Fund" means the fund by that name to be established and held by the Trustee under the Trust Agreement.

"Lease Payment Date" means, with respect to any Interest Payment Date, the fifth Business Day preceding such Interest Payment Date.

"Lease Payment Fund" means the fund by that name established and held by the Trustee under the Trust Agreement.

"Leased Property" means all of the land which is more particularly described in Appendix A to the Lease Agreement, consisting generally of the land and buildings constituting the Roosevelt Elementary School and the Franklin Elementary School. If the District exercises its option under the Lease Agreement with respect to the substitution of property or its option under the Lease Agreement with respect to the release of property, the term "Leased Property" will thereupon be modified accordingly.

"Net Proceeds" means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Office" means such office or offices as the Trustee may designate in writing to the Corporation from time to time as its corporate trust office for purposes of the Trust Agreement.

"Outstanding", when used as of any particular time with respect to Certificates, means (subject to certain provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates deemed to have been paid under the Trust Agreement; and (c) Certificates in lieu of or in exchange for which other Certificates has been executed and delivered by the Trustee under the Trust Agreement.

"Owner", when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid under the Lease Agreement; (b) the Site Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

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

(a) Federal Securities;

(b) obligations of any federal agency which represent full faith and credit of the United States of America, or which are otherwise rated "A" by S&P;

(c) Bank deposit products and interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee) which may include the Trustee and its affiliates, provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or are collateralized by Permitted Investments described in clauses (a), (b) or (c) above;

(d) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" or better by S&P;

(e) federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P;

(f) investments in a money market fund, including those of an affiliate of the Trustee, having a rating by S&P of at least AAAm-G, AAAm or AAm, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(f) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund, in the highest rating category of S&P; or (ii)(A) subject to the approval of S&P, which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of Federal Securities, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates under such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the prepayment date or dates specified in the irrevocable instructions referred to above, as appropriate;

(g) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below A; and

(h) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Project Costs" means, with respect to the District Office Building Project, all costs of the acquisition, construction and improvement thereof which are paid from moneys on deposit in the District Office Building Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and improvement of the District Office Building Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and improvement of the District Office Building Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and improvement of the District Office Building Project;

(d) all costs of engineering, architectural services and other preliminary investigation expenses, including the actual out-of-pocket costs for site investigations, surveys, hazardous materials investigations, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and improvement of the District Office Building Project;

(e) any sums required to reimburse the Corporation or the District for advances made for any of the above items or for any other costs incurred and for work done, including but not limited to administrative costs of the Corporation or the District, which are properly chargeable to the acquisition, construction and improvement of the District Office Building Project;

(f) all financing costs incurred in connection with the acquisition, construction and improvement of the District Office Building Project, including but not limited to Costs of Issuance and other costs incurred in connection with this Trust Agreement and the financing of the District Office Building Project; and

(g) the interest components of the Lease Payments prior to the Completion Date, to the extent not payable from the proceeds of the Certificates deposited in the Lease Payment Fund on the Closing Date.

"Redevelopment Facilities Pass-Through Revenues" means the portion of the revenues which are payable to the District under Section 33607.5 or Section 33607.7 of the California Health and Safety Code pursuant to the formula set forth in Section 33607.5(a)(4)(A) of said Code, which are available to be used for educational facilities, including, land acquisition, facility construction, reconstruction, remodeling, maintenance, or deferred maintenance, constituting 56.7% of the total amount paid to the District each year pursuant to Section 33607.5 of the California Health and Safety Code.

"Registration Books" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"Rental Period" means each period during the Term of the Lease Agreement commencing on and including May 2 in each year and extending to and including the next succeeding May 1, except that the first Rental Period begins on the Closing Date and ends on May 1, 2021.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District designates in written notice filed with the Trustee.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, of New York, New York, its successors and assigns.

"Special Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term of the Lease Agreement" means the time during which the Lease Agreement is in effect, as provided therein.

"2010 Certificates" means the 2010 Refunding Certificates of Participation, Series B (Tax-Exempt) which have been executed and delivered in the aggregate principal amount of $8,015,000 pursuant to a Trust Agreement dated as of December 1, 2010, among the District, the California School Boards Association Finance Corporation and Wells Fargo Bank National Association, as trustee.

"2010 Trustee" means Wells Fargo Bank, National Association, as trustee for the 2010 Certificates.

SITE LEASE

Under the Site Lease, the District leases the Leased Property to the Corporation for the purpose of enabling the Corporation to sublease the Leased Property back to the District under the Lease Agreement. The term of the Site Lease is coterminous with the term of the Lease Agreement. In consideration of the rental for the Leased Property under the Site Lease, the Corporation agrees to enter into the Assignment Agreement and assign substantially all of its rights thereunder to the Trustee, and to cause the net proceeds of the Certificates to be deposited with the Trustee into the Project Fund and to be deposited with the 2010 Trustee for the purpose of refunding the 2010 Certificates. In the event of any release or substitution of property under the Lease Agreement as described below, the description of the property leased under the Site Lease will be modified accordingly.

THE LEASE AGREEMENT

Lease of the Leased Property; Term

The Corporation leases the Leased Property back to the District under the Lease Agreement. The Term of the Lease Agreement commences on the date of execution and delivery of the Lease Agreement and ends on the date on which the Trust Agreement is discharged thereunder, but under any circumstances not later than ten years following the final maturity date of the Certificates.

Substitution of Leased Property

The District has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), provided that the District satisfies all of the following requirements which are conditions precedent to such substitution:

(a) No Event of Default has occurred and is continuing.

(b) The District has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment thereof which adds to Appendix A to the Lease Agreement a description of such Substitute Property and deletes therefrom the description of such Former Property.

(c) The District has obtained a CLTA policy of title insurance which insures the District's leasehold estate in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

(d) The District has filed with the Corporation and the Trustee a certificate executed by a District Representative stating that such Substitute Property serves the educational purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District.

(e) The Substitute Property does not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement.

(f) The District has filed a written certificate with the Trustee stating that (a) based on the estimated value of the Substitute Property, the remaining Lease Payments constitute fair rental value for the use and occupancy of the Substitute Property, taking into consideration certain factors as set forth in the Lease Agreement, and (b) the useful life of the Substitute Property at least extends to May 1, 2042.

(g) The District has mailed written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property in the Site Lease and the Lease Agreement will apply with full force and effect to the Substitute Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution. The Corporation and the District agree to execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement, the Site Lease and the Assignment Agreement against the Former Property.

Release of Property

The District has the option at any time and from time to time to release any portion of the Leased Property from the Lease Agreement and the Site Lease (the "Released Property") provided that the District has satisfied all of the following requirements which are declared to be conditions precedent to such release:

(a) No Event of Default has occurred and is continuing.

(b) The District has filed with the Corporation and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment of the Lease Agreement and the Site Lease which removes the Released Property from the Lease Agreement and the Site Lease.

(c) The District has filed with the Trustee a written certificate stating that based on the estimated value of the property which remains subject to this Lease Agreement following such release, the remaining Lease Payments constitute fair rental value for the use and occupancy of such property, taking into consideration certain factors set forth in the Lease Agreement.

(d) The District has mailed written notice of such release to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Released Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Corporation and the District agree to execute, deliver and cause to be recorded all documents required to discharge the Lease Agreement, the Site Lease and the Assignment Agreement of record against the Released Property.

Lease Payments; Budget and Appropriation; Abatement

Lease Payments. Subject to abatement as described below, the District will pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable in immediately available funds on the Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease Agreement, and to be deposited by the District with the Trustee on each of the Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under the Lease Agreement and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) will be credited towards the Lease Payment then required to be paid; and no Lease Payment need be deposited with the Trustee on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be deposited with the Trustee. The Lease Payments payable in any Rental Period are for the use of the Leased Property during such Rental Period.

Budget and Appropriation. The District covenants to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due under the Lease Agreement in each of its final approved budgets. The District further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the District for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the District contained in the Lease Agreement are duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Application of Redevelopment Facilities Pass-Through Revenues. Under the Lease Agreement, the District acknowledges its intention to apply the Redevelopment Facilities Pass-Through Revenues to the payment of the Lease Payments. The District covenants to pay to the Trustee in each Fiscal Year, for deposit into the Lease Payment Fund, an amount of Redevelopment Facilities Pass-Through Revenues which is sufficient to pay when due the Lease Payments coming due and payable in such Fiscal Year. Until such time during any Fiscal Year that the total amount of Redevelopment Facilities Pass-Through Revenues deposited with the Trustee are equal to the aggregate amount of the Lease Payments coming due in such Fiscal

Year, the District shall not apply the Redevelopment Facilities Pass-Through Revenues to make any other payments or for any other uses whatsoever.

At such time during any Fiscal Year as the amount on deposit in the Lease Payment Fund is sufficient to pay the remaining Lease Payments coming due and payable in such Fiscal Year, the District will not be obligated to deposit any additional Redevelopment Facilities Pass-Through Revenues with the Trustee during such Fiscal Year.

Notwithstanding the foregoing, the District does not pledge the Redevelopment Facilities Pass-Through Revenues to the payment of the Lease Payments, and nothing in the Lease Agreement restricts the ability of the District to apply the Redevelopment Facilities Pass-Through Revenues for other authorized purposes.

Additional Payments. In addition to the Lease Payments, the District shall pay when due, as additional rental for the Leased Property under the Lease Agreement, all costs and expenses incurred by the District under the Lease Agreement or under the Trust Agreement, or incurred by the Corporation or the Trustee to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement.

Termination or Abatement Due to Eminent Domain. If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement will cease with respect thereto as of the day possession is so taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Abatement Due to Damage or Destruction. The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof. The amount of such abatement shall be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being declared in the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Covenant Against Eminent Domain. During the Term of the Lease Agreement, the District covenants not to acquire the leasehold estate of the Corporation in the Leased Property under the Site Lease through the exercise of its eminent domain powers or otherwise.

Title

At all times during the term of the Lease Agreement, the District will hold title to the Leased Property, subject to the Site Lease and other Permitted Encumbrances, and any and all additions which comprise fixtures, repairs, replacements or modifications thereto.

Maintenance, Utilities, Taxes and Modifications

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Leased Property.

The District also agrees pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation notifies the District that, in its reasonable opinion, by nonpayment of any such items the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee.

The District has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease Agreement. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District; provided that if any such lien is established and the District first notifies the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Insurance

The Lease Agreement requires the District to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Certificate Owners, the Corporation and the Trustee:

Public Liability and Property Damage Insurance. The District will maintain or cause to be maintained, throughout the Term of the Lease Agreement, comprehensive general insurance in protection of the Corporation, the District and their respective members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

Casualty Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of any such insurance will be deposited by the Trustee in the Insurance and Condemnation Fund and applied at the election and direction of the District either to the replacement, repair, restoration, modification or improvement of the damaged Leased Property or to the prepayment of the Lease Payments and the corresponding prepayment of outstanding Certificates.

Rental Interruption Insurance. The District will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the casualty insurance required under the Lease Agreement as described in the immediately preceding paragraph, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, provided that the provider of such insurance shall be rated at least "A" by A.M. Best & Company, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The District will, at its expense, cause the Site Lease, the Assignment Agreement and the Lease Agreement to be recorded in the office of the Los Angeles County Recorder on or before the Closing Date. Concurrent with such recordation, the District shall obtain a CLTA title insurance policy insuring the District's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and credited towards the prepayment of the Lease Payments.

Assignment; Subleases

The Corporation has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Assignment Agreement. The District may not assign any of its rights in the Lease Agreement, but may sublease all or a portion of the Leased Property only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Installation of District's Personal Property

The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items will remain the sole property of the District, in which neither the Corporation nor the Trustee has any interest, and may be modified or removed by the District at any time, provided that the District shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement prevents the District from purchasing or leasing items under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest attaches to any part of the Leased Property.

Amendment of Lease

The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of the Trustee or any of the Certificate Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the District;

(ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained therein, for the purpose of conforming to the original intention of the District and the Corporation;

(iii) to amend any provision thereof relating to the Tax Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by any of the Certificates under the Tax Code, in the opinion of Special Counsel;

(iv) to amend the description of any component of the Leased Property to reflect accurately the property originally intended to be included therein, or to effectuate any substitution of property as permitted or any release of property as permitted under the Lease Agreement;

(v) to obligate the District to pay additional amounts of rental hereunder for the use and occupancy of the Leased Property or any portion thereof, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance the completion of the District Office Building Project or other improvements to the Leased Property, and (B) the District has filed with the Trustee written evidence that the amendments made under this subsection (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates; or

(vi) in any other respect whatsoever as the Corporation and the District deem necessary or desirable, provided that, in the opinion of Special Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates.

The District shall obtain and cause to be filed with the Trustee an opinion of Special Counsel with respect to any amendment or modification of the Lease Agreement, stating that all conditions precedent to such amendment as set forth in the Lease Agreement have been satisfied. Promptly following the effective date of any amendment or modification of the Lease Agreement, the District shall give written notice thereof to each rating agency which then maintains a rating on the Certificates. Notwithstanding the foregoing, the District and the Corporation will not agree to any amendment hereof which would adversely affect the Trustee, without its prior written consent thereto.

Events of Default

Each of the following constitutes an event of default under the Lease Agreement:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed herein or in the Trust Agreement, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee; *provided, however*, that if the District notifies the Corporation and the Trustee in writing that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the District notifies the Trustee in writing that it will commence to cure the failure within such 30-day period and thereafter diligently and in good faith cures such failure within 60 days following the filing of such written notification with the Trustee.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may be enacted.

Remedies on Default

Whenever any Event of Default has happened and is continuing, the Corporation may exercise any and all remedies available under law or granted under the Lease Agreement. Notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant of the Lease Agreement to be kept and performed by the District is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted under the Lease Agreement; provided that no termination of the Lease Agreement shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner in the Lease Agreement expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Corporation may exercise each and every one of the following remedies, subject in all respects to the limitations described in the Lease Agreement.

(a) Enforcement of Payments Without Termination. If the Corporation does not elect to terminate the Lease Agreement in the manner described below, the District agrees to remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, if the Corporation is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement.

The District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County of Lake for the account of and at the expense of the District. The District agrees to surrender and quit possession of the Leased Property upon demand of the Corporation for the purpose of enabling the Leased Property to be re-let. Any rental obtained by the Corporation in excess of the unpaid Lease Payments shall be deposited with the Trustee in the Lease Payment Fund, to be applied as a credit against future Lease Payments.

(b) Termination of Lease. If an Event of Default occurs and is continuing, the Corporation at its option may terminate the Lease Agreement and re-lease all or any portion of the Leased Property. Any surplus received by the Corporation from such re-leasing shall be deposited in the Lease Payment Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, unless and until the Corporation has given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District agrees that no surrender of the Leased Property, or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

(c) Proceedings at Law or In Equity. If an Event of Default occurs and continues, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Lease Agreement or to enforce any other of its rights under the Lease Agreement.

TRUST AGREEMENT

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the District's instructions.

Funds

The Trust Agreement creates the Lease Payment Fund, the Project Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

Lease Payment Fund. There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement. Moneys on deposit in the Lease Payment Fund will be used to pay principal and interest represented by the Certificates. Any earnings on investment of moneys in the Lease Payment Fund prior to the Completion Date will be transferred to the Project Fund. Any earnings on investment of moneys in the Lease Payment Fund following the Completion Date will remain therein and will be credited towards payment of the next Lease Payments. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, will be paid to the District.

Project Fund. The Trustee will establish, maintain and hold in trust a separate fund to be known as the "Project Fund." The Trustee will disburse moneys in the Project Fund from time to time to pay or reimburse the payment of Project Costs in accordance with written requisitions filed by the District with the Trustee. Each such requisition is sufficient evidence to the Trustee of the facts stated therein and the Trustee has no duty to confirm the accuracy of such facts. The Trustee is not responsible for payments made in accordance with the Trust Agreement. The District shall maintain accurate records showing all disbursements from the Project Fund, including records which show the name and address of each entity to whom payment is made and the amount and purpose of each payment.

Upon the determination by the District that the District Office Building Project has been substantially completed, the Trustee will withdraw from the Project Fund and deposit in the Lease Payment Fund all amounts remaining on deposit in the Project Fund, other than amounts estimated by the District to be required to pay future Project Costs. Whether or not the District Office Building Project has been substantially completed, upon the filing with the Trustee of a written certificate of the District stating that no further amounts are intended to be requisitioned from the Project Fund, the Trustee will close the Project Fund and transfer all remaining amounts therein to the Lease Payment Fund.

Deposit and Application of Net Proceeds of Eminent Domain Award. If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund, under the Lease Agreement, and shall be applied and disbursed by the Trustee as follows:

(a) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the District has given written notice to the Trustee of such determination, the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited towards the payment of the Lease Payments as they become due and payable.

(b) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased

Property, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for the repair or rehabilitation of the Leased Property, upon the filing of requisitions of the District Representative meeting the requirements of the Trust Agreement.

(c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments under the Lease Agreement and applied to the corresponding prepayment of Certificates under the Trust Agreement, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under the Trust Agreement, the District may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Any such determination by the District is final.

Investment of Funds; Valuation of Investments

Upon the written request of a District Representative filed with the Trustee from time to time, moneys held by the Trustee in any fund or account under the Trust Agreement shall be invested and reinvested by the Trustee in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended under the Trust Agreement. In the absence of any written request of the District directing the investment of uninvested moneys held by the Trustee thereunder, the Trustee shall hold such moneys in cash, uninvested. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in the Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments thereunder, the Trustee may commingle funds held by it thereunder.

Events of Default and Remedies of Certificate Owners

Notice of Default; Remedies. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, then the Trustee shall promptly give written notice thereof to the Owner of each Outstanding Certificate by first class mail, postage prepaid, unless such Event of Default shall have been cured before the giving of such notice; provided, however that unless such Event of Default consists of the failure by the District to make any Lease Payment when due, the Trustee may elect not to give such notice to the Certificate Owners if and so long as the

Trustee in good faith determines that it is otherwise not in the best interests of the Certificate Owners to give such notice.

If an Event of Default happens, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Application of Funds. All moneys received by the Trustee under any right given or action taken under the provisions of the Trust Agreement or the Lease Agreement shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

> *First*, to the payment of the fees, costs and expenses of the Trustee, including without limitation in declaring such Event of Default and in taking any remedial action with respect thereto, including reasonable compensation and costs and expenses to its agents, attorneys and counsel, and including such other necessary costs and expenses relating to the administration of the foregoing and to events leading up thereto;
>
> *Second*, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the highest rate of interest represented by any Outstanding Certificate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Institution of Legal Proceedings. If one or more Events of Default occur and are continuing, the Trustee in its reasonable judgment may (but shall not be obligated to), and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy in support of any of its rights or duties under the Trust Agreement.

Non-waiver. Nothing in the Trust Agreement or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the

Trust Agreement Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Certificate Owners in the Trust Agreement is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or thereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, under its duties under the Trust Agreement, whether upon its own reasonable judgment or upon the direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, it has full power, in the exercise of its reasonable judgment with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Certificates opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate may institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Amendment of Trust Agreement

The Trust Agreement may be amended by agreement among the parties thereto but without the consent of the Owners of the Certificates, but only (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the District, (b) to cure, correct or supplement any ambiguous or defective provision contained in the Trust Agreement, (c) in regard to questions arising thereunder, as the parties to the Trust Agreement may deem necessary or desirable and which shall not, in the opinion of Special Counsel, materially adversely affect the interests of the Owners of the Certificates, (d) if and to the extent permitted in the opinion of Special Counsel filed with the Trustee, the District and the Corporation, to delete or modify any of the provisions thereof relating to the exclusion from gross income of interest represented by the Certificates for federal income tax purposes, and (e) to conform to any amendments of the Lease Agreement which are permitted to be made under the Lease Agreement.

Any other amendment requires the approval of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, provided that no such amendment shall (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate represented thereby or extending the time of payment of interest, or reducing the amount of principal represented thereby or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Defeasance

If and when the obligations represented by any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal and interest represented by such Certificates Outstanding, as and when the same become due and payable; or

(b) by depositing with the Trustee or any escrow agent, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates as more particularly described in the Lease Agreement, said security to be held by the Trustee or such escrow agent on behalf of the District to be applied by the Trustee or by such escrow agent to pay or prepay such Lease Payments as the same become due, pursuant to the Lease Agreement.

then notwithstanding that such Certificates have not been surrendered for payment, all rights under the Trust Agreement of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Corporation and the District under the Trust Agreement regarding indemnification of the Trustee and the obligations of the Trustee under the Trust Agreement, and the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited under paragraph (b) above, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Lease Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) of above, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the District.

ASSIGNMENT AGREEMENT

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Owners of the Certificates, all of the Corporation's rights under the Lease Agreement (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing such payments due to and rights of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

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APPENDIX B

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

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

AUDIT REPORT
June 30, 2019

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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CRAIG A HARTZHEIM, CPA
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ALEXANDER C HOM, CPA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Santa Monica-Malibu Education Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Santa Monica-Malibu Education Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations, Section 19810*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the Budgetary Comparison Schedule – General Fund on page 63, the Schedules the District's of Proportionate Share of Net Pension Liability on pages 64 and 65, the Schedules of District's Pension Contributions on pages 66 and 67, the Schedule of Changes in the District's Net OPEB Liability and the Related Ratios on page 68, the Schedule of the District's Proportionate Share of the Net OPEB Liability and Related Ratios on page 69, and the Schedule of District's OPEB Contributions on page 70, 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.

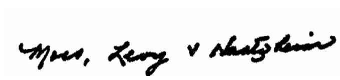
Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2019

INTRODUCTION

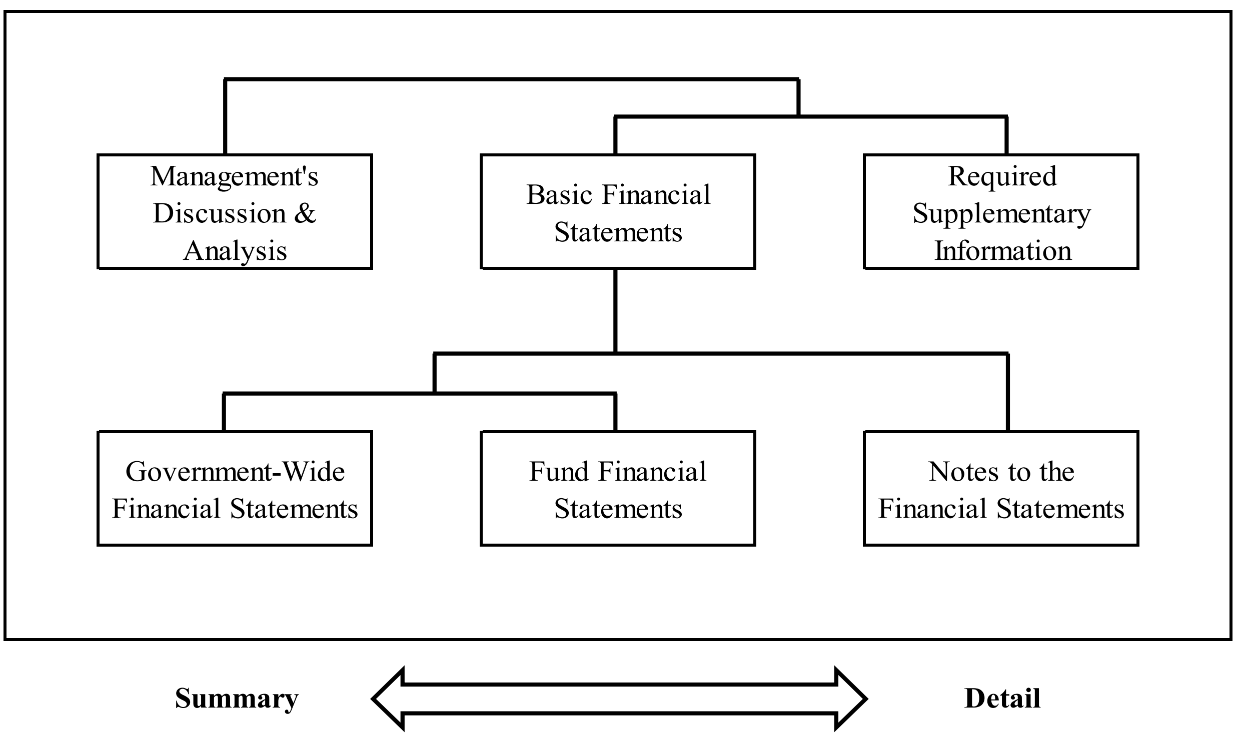
Our discussion and analysis of Santa Monica-Malibu Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position for the primary government was $29,557,931 at June 30, 2019. This was a decrease of $23,356,864 from the prior fiscal year's net position.
- Overall revenues for the primary government were $226,173,508 which fail short of expenses at $240,669,240.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



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

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

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

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

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

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

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $29,557,931 at June 30, 2019, as reflected in Table A-1 below. Of this amount, ($149,399,122) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

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

	Governmental Activities		
	2019	**2018**	**Net Change**
ASSETS			
Current and other assets	$ 231,324,756	$ 192,832,943	$ 38,491,813
Capital assets	534,921,430	465,573,277	69,348,153
Total Assets	766,246,186	658,406,220	107,839,966
DEFERRED OUTFLOWS OF RESOURCES	77,173,855	78,994,130	(1,820,275)
LIABILITIES			
Current liabilities	80,625,513	66,164,963	14,460,550
Long-term liabilities	721,397,460	608,194,965	113,202,495
Total Liabilities	802,022,973	674,359,928	127,663,045
DEFERRED INFLOWS OF RESOURCES	11,839,137	10,125,627	1,713,510
NET POSITION			
Net investment in capital assets	117,769,149	115,880,806	1,887,343
Restricted	61,188,904	61,543,437	(354,533)
Unrestricted	(149,399,122)	(124,509,448)	(24,889,674)
Total Net Position	$ 29,557,931	$ 52,914,795	($23,356,864)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

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

	Governmental Activities		
	2019	**2018**	**Net Change**
REVENUES			
Program revenues			
Charges for services	$ 6,969,932	$ 7,087,558	$ (117,626)
Operating grants and contributions	30,486,140	28,769,686	1,716,454
Capital grants and contributions	0	0	0
General revenues			
Property taxes	138,671,364	155,462,262	(16,790,898)
Unrestricted federal and state aid	15,160,145	14,444,664	715,481
Other	34,885,927	33,848,220	1,037,707
Total Revenues	226,173,508	239,612,390	(13,438,882)
EXPENSES			
Instruction	114,966,397	103,805,316	11,161,081
Instruction-related services	22,506,398	20,250,931	2,255,467
Pupil services	19,139,757	17,830,772	1,308,985
General administration	12,024,620	10,186,877	1,837,743
Plant services	28,272,070	20,628,834	7,643,236
Ancillary and community services	3,615,409	3,249,298	366,111
Debt service	21,664,111	19,081,800	2,582,311
Other Outgo	18,480,478	12,905,864	5,574,614
Total Expenses	240,669,240	207,939,692	32,729,548
Change in net position	(14,495,732)	31,672,698	(46,168,430)
Net Position - Beginning	52,914,795	42,967,182	9,947,613
Restatements	(8,861,132)	(21,725,085)	12,863,953
Net Position - Ending	$ 29,557,931	$ 52,914,795	$ (23,356,864)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all our governmental activities this fiscal year was $240,939,692 (refer to Table A-2). The amount that our taxpayers ultimately financed for these activities through taxes was $138,671,364. The remaining cost was paid by other governments and organizations who subsidized certain programs with grants and contributions of $37,456,072.

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

	Net Cost of Services	
	2019	**2018**
Instruction	$ 99,354,878	$ 89,289,157
Instruction-related services	19,416,285	17,538,573
Pupil services	13,769,861	12,857,889
General administration	11,243,189	9,597,870
Plant services	23,009,314	11,720,203
Ancillary and community services	3,242,655	3,062,023
Debt service	21,664,111	19,081,800
Other outgo and depreciation	11,512,875	8,934,933
Total Expenses	$ 203,213,168	$ 172,082,448

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 $186,353,288, which is more than last fiscal year's ending fund balance of $161,677,647. The District's General Fund had $376,687 less in operating revenues than expenditures for the fiscal year ended June 30, 2019. This deficit was attributed to multiple factors across the budget. This amount includes a $1,181,115 higher Local General Fund Contribution to Special Education; lower RDA (Community Redevelopment Funds) property tax of $2,004,879 from the local control funding formula; and a large restatement decrease of ERAF (Education Revenue Augmentation Funds) property tax in the amount of $8,861,132 due to the District becoming a Basic Aid District in 2017-18 – these funds were returned in the year 2018-19. The District's Building Fund had $85,182,368 less in operating revenues than expenditures due to a significant increase in expenditures towards facilities construction during the fiscal year ended June 30, 2019. Also for the fiscal year ended June 30, 2019, the District's Bond Interest & Redemption Fund had $6,201,743 less in operating revenues than expenditures.

CURRENT YEAR BUDGET 2018-19

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2018-19 the District had invested $534,921,430 in capital assets, net of accumulated depreciation. Completion of certain construction projects resulted in a transfer of construction in progress of roughly $143,874,509 to capitalized assets. Additionally, other construction projects commenced or continued adding $86,527,878 to construction in progress. A total of $17,753,660 in depreciation expense was recorded in fiscal year 2018-19 within the government-wide statement of activities.

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

	Governmental Activities		
	2019	**2018**	**Net Change**
CAPITAL ASSETS			
Land	$ 15,122,223	$ 15,122,223	$ 0
Construction in progress	155,618,593	212,965,702	(57,347,109)
Land improvements	67,997,706	17,591,763	50,405,943
Buildings & improvements	425,971,777	332,503,211	93,468,566
Furniture & equipment	27,468,763	26,950,769	517,994
Accumulated depreciation	(157,257,632)	(139,560,391)	(17,697,241)
Total Capital Assets, Net	$ 534,921,430	$ 465,573,277	$ 69,348,153

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Liabilities

At fiscal year-end 18-19, the District had $ 750,514,361 in long-term liabilities including current portion, an increase of 16 percent from last year — as shown in Table A-5. During 2018-19 the District issued Election 2012, Series D general obligation bonds. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

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

	Governmental Activities		
	2019	**2018**	**Net Change**
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 516,363,424	$ 413,515,171	$ 102,848,253
Total certificates of participation	11,354,169	12,659,860	(1,305,691)
Capital leases	0	28,125	(28,125)
Compensated absences	917,512	889,275	28,237
Net OPEB obligation	45,874,674	38,066,329	7,808,345
Net pension liability	176,004,582	173,182,541	2,822,041
Less: current portion of long-term debt	(29,116,901)	(30,146,336)	1,029,435)
Total Long-term Liabilities	$ 721,397,460	$ 608,194,965	$ 113,202,495

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

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

The State's economy continues to grow but the outlook is for slower growth ahead. Personal income is expected to slow from 3.34% in 2019-20 to 1.63% in 2020-21 according to the Legislative Analyst Office (LAO). Additionally, UCLA GDP outlook maintains its prediction of slowing growth for the economy to 3.1% in 2018, 2.1% in 2019, and 1.4% in 2020 – this also warns that as the economy slows, the threat of a recession increase. Lastly, the LAO estimates increases to Proposition 98 minimum guarantees in 2019-20 of about 3.8%.

The District continues to be a Basic Aid District in fiscal year 2018-19 for the second consecutive year because it receives revenue in excess of the LCFF entitlement. The District benefits as a Basic Aid district when funded above its computed revenue (LCFF) along with the fast growth in property taxes yielding a large increase in revenues. However, it is difficult to accurately project property tax growth, making long-term forecasts unreliable. The District does not receive additional funding when enrollment increases (or is higher than estimated.) The District should review its “Inter-district: transfer policy” and keep higher reserves.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

All of these factors were considered in preparing the District's budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government Governmental Activities	June 30, 2018 Discretely Presented Component Unit
Assets		
Cash and investments	$ 217,614,943	$ 10,533,606
Accounts receivable	10,364,345	136,198
Inventories, at cost	23,872	-
Prepaid expenses	284,725	19,284
Other current assets	3,036,871	-
Non depreciable:		
Land	15,122,223	-
Construction in progress	155,618,593	-
Depreciable:		
Land improvements	67,997,706	-
Buildings and improvements	425,971,777	-
Equipment	27,468,763	69,514
Less accumulated depreciation	(157,257,632)	(50,791)
Total assets	766,246,186	10,707,811
Deferred Outflow of Resources		
Deferred outflows related to net pension liability	55,713,918	-
Deferred outflows related to OPEB	4,907,339	-
Deferred amount on debt refunding	16,552,598	-
Total Deferred Outflows of Resources	77,173,855	-
Liabilities		
Accrued liabilities	43,781,167	2,092,552
Interest payable	6,537,144	-
Unearned revenue	1,190,301	-
Long-term liabilities:		
Due within one year	29,116,901	-
Due in more than a year	721,397,460	-
Total liabilities	802,022,973	2,092,552
Deferred Inflow of Resources		
Deferred inflows related to net pension liability	11,776,564	-
Deferred inflows related to OPEB	62,573	-
Total Deferred Inflows of Resources	11,839,137	-
Net Position		
Net investment in capital assets	117,768,149	18,723
Restricted for:		
Education programs	5,683,647	6,857,363
Debt service	39,215,492	-
Child nutrition program	380,819	-
Capital projects	15,908,946	-
Permanent endowment	-	770,914
Unrestricted	(149,399,122)	968,259
Total net position	$ 29,557,931	$ 8,615,259

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	June 30, 2018
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Discretely Presented Component Unit
Governmental Activities:						
Instruction	$ 114,966,397	$ 1,454,714	$ 14,156,805	$ -	$ (99,354,878)	$ -
Instruction-related services:						
Supervision of instruction	8,358,038	145,241	1,426,545	-	(6,786,252)	-
Instructional library, media, and technology	1,565,148	308	104,813	-	(1,460,027)	-
School site administration	12,583,212	219,730	1,193,476	-	(11,170,006)	-
Pupil services:						
Home-to-school transportation	2,135,019	-	85,573	-	(2,049,446)	-
Food services	3,824,148	1,405,161	1,688,859	-	(730,128)	-
All other pupil services	13,180,590	539	2,189,764	-	(10,990,287)	-
General administration:						
Data processing	1,662,742	-	20,599	-	(1,642,143)	-
All other general administration	10,361,878	165,709	595,123	-	(9,601,046)	-
Plant services	28,272,070	2,356,878	2,905,878	-	(23,009,314)	-
Ancillary services	902,431	5,090	33,546	-	(863,795)	-
Community services	2,712,978	41,631	292,487	-	(2,378,860)	-
Interest on long-term debt	21,664,111	-	-	-	(21,664,111)	-
Other outgo	726,818	1,174,931	5,792,672	-	6,240,785	-
Depreciation (unallocated)	17,753,660	-	-	-	(17,753,660)	-
Total Governmental Activities	$ 240,669,240	$ 6,969,932	$ 30,486,140	$ -	(203,213,168)	-
Discretely Presented Component Unit						
Santa Monica-Malibu Education Foundation	$ 3,411,561	$ 50,355	$ 2,975,168	$ -		(386,038)
Total	$ 3,411,561	$ 50,355	$ 2,975,168	$ -		(386,038)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes					85,468,444	-
Taxes levied for debt service					36,455,840	-
Taxes levied for other specific purposes					16,747,080	-
Federal and state aid not restricted to specific purposes					15,160,145	-
Interest and investment earnings					680,264	486,687
Miscellaneous					34,205,663	589
Total general revenues					188,717,436	487,276
Change in net position					(14,495,732)	101,238
Net position beginning of fiscal year					52,914,795	8,514,021
Restatements					(8,861,132)	-
Net position, beginning of fiscal year - restated					44,053,663	8,514,021
Net position, end of fiscal year					$ 29,557,931	$ 8,615,259

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Assets					
Cash and investments	$ 39,756,056	$ 112,873,125	$ 45,193,024	$ 19,792,738	$ 217,614,943
Accounts receivable	7,631,124	674,969	-	2,058,252	10,364,345
Stores inventories	-	-	-	23,872	23,872
Prepaid expenditures	284,725	-	-	-	284,725
Other current assets	3,036,871	-	-	-	3,036,871
Total assets	$ 50,708,776	$ 113,548,094	$ 45,193,024	$ 21,874,862	$ 231,324,756
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 22,169,433	19,557,286	$ -	$ 2,054,448	$ 43,781,167
Unearned revenue	1,037,885	-	-	152,416	1,190,301
Total liabilities	23,207,318	19,557,286	-	2,206,864	44,971,468
Fund balances:					
Nonspendable					
Revolving cash	20,003	-	-	-	20,003
Store inventories	-	-	-	23,872	23,872
Prepaid expenditures	284,725	-	-	-	284,725
Restricted					
Medi-Cal billing option	25,655	-	-	-	25,655
Lottery - instructional materials	2,131,321	-	-	-	2,131,321
Classified professional development	107,333				107,333
College readiness block grant	42,430	-	-	-	42,430
Low-performing student block grant	226,255				226,255
Ongoing and major maintenance	274,970	-	-	-	274,970
Other restricted - local revenue	2,201,382	-	-	-	2,201,382
Adult education	-	-	-	437,613	437,613
Child development	-	-	-	236,688	236,688
Nutrition	-	-	-	356,947	356,947
Capital projects	-	93,990,808	-	16,489,464	110,480,272
Debt service	-	-	45,193,024	-	45,193,024
Committed					
Deferred maintenance	-	-	-	760,019	760,019
Assigned					
Adult education	-	-	-	296,241	296,241
Child development	-	-	-	1,067,154	1,067,154
Other	17,170,283	-	-	-	17,170,283
Unassigned					
Unassigned	5,017,101	-	-	-	5,017,101
Total fund balances	27,501,458	93,990,808	45,193,024	19,667,998	186,353,288
Total liabilities and fund balances	$ 50,708,776	$ 113,548,094	$ 45,193,024	$ 21,874,862	$ 231,324,756

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances - governmental funds			$ 186,353,288
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets at historical cost		$ 692,179,062	
Accumulated depreciation		(157,257,632)	
	Net		534,921,430
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:			16,552,598
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of net position, it is recognized in the period that it is incurred.			(6,537,144)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General obligation bonds payable		$ (456,989,498)	
Bond premiums		(38,509,092)	
Bond discounts		23,174	
Accreted bond interest payable		(20,888,008)	
Certificates of participation (COP)		(5,452,319)	
COP premiums		(203,036)	
COP accreted interest payable		(5,698,814)	
Compensated absences payable		(917,512)	
Net OPEB liability		(45,874,674)	
Net pension liability		(176,004,582)	
	Total		(750,514,361)
In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position deferred outflows and inflows of resources relating to pensions and OPEB are reported.			
Deferred outflows of resources		$ 60,621,257	
Deferred inflows of resources		(11,839,137)	48,782,120
Total net position, governmental activities			$ 29,557,931

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Revenues:					
LCFF Sources:					
State apportionments	$ 8,585,957	$ -	$ -	$ -	$ 8,585,957
Education protection state aid	2,096,214	-	-	-	2,096,214
Local sources	85,386,023	-	-	-	85,386,023
Federal	4,381,856	-	1,716,132	3,007,331	9,105,319
Other state	17,427,783	32,938	53,609	4,435,571	21,949,901
Other local	54,827,692	2,668,570	37,052,444	12,701,075	107,249,781
Total revenues	172,705,525	2,701,508	38,822,185	20,143,977	234,373,195
Expenditures:					
Certificated salaries	66,053,344	-	-	3,158,450	69,211,794
Classified salaries	30,761,323	545,616	-	3,804,767	35,111,706
Employee benefits	51,326,987	302,448	-	3,698,302	55,327,737
Books and supplies	6,399,486	811,710	-	1,946,875	9,158,071
Contracted services and other operating expenditures	18,662,388	20,147,417	-	8,760,314	47,570,119
Capital outlay	349,532	66,076,685	-	693,067	67,119,284
Other outgo	(499,646)	-	-	527,523	27,877
Debt service					
Principal	28,125	-	23,121,117	919,183	24,068,425
Interest	673	-	21,902,811	949,252	22,852,736
Total expenditures	173,082,212	87,883,876	45,023,928	24,457,733	330,447,749
Excess of revenues over (under) expenditures	(376,687)	(85,182,368)	(6,201,743)	(4,313,756)	(96,074,554)
Other Financing Sources (Uses):					
Bond premiums	-	399,942	9,211,385	-	9,611,327
Proceeds from sale of bonds	-	120,000,000	-	-	120,000,000
Transfers in	-	-	-	2,059,035	2,059,035
Transfers out	(2,059,035)	-	-	-	(2,059,035)
Total other financing sources (uses)	(2,059,035)	120,399,942	9,211,385	2,059,035	129,611,327
Net change in fund balances	(2,435,722)	35,217,574	3,009,642	(2,254,721)	33,536,773
Fund balance - beginning	38,798,312	58,773,234	42,183,382	21,922,719	161,677,647
Prior period adjustments	(8,861,132)	-	-	-	(8,861,132)
Fund balance - beginning - restated	29,937,180	58,773,234	42,183,382	21,922,719	152,816,515
Fund balances - ending	$ 27,501,458	$ 93,990,808	$ 45,193,024	$ 19,667,998	$ 186,353,288

See notes to basic financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds			$ 33,536,773
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
	Capital asset additions	$ 87,102,291	
	Depreciation expense	(17,753,660)	69,348,631
If a planned capital project is canceled and will not be completed, costs previously capitalized as Construction in Progress must be written off to expense. Costs written off for canceled projects were:			(478)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. For the fiscal year ended June 30, 2019, the District has following repayments of long-term debt:			
	General obligation bonds	$ 23,121,117	
	Certificates of participation	919,183	
	Capital leases	28,125	24,068,425
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt net of issue premium and discount were:			
	Bond proceeds	$ (120,000,000)	
	Bond premiums	(9,611,327)	(129,611,327)
In government funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium plus a deferred loss from debt refunding, is amortized as interest over the life of the debt. Amortization of the debt issue premium, plus any deferred loss from debt refunding, for the period is:			
	Bond premiums	$ 2,067,556	
	Bond discounts	(1,783)	
	Deferred amount of refunding	(1,166,027)	
	COP premiums	45,308	945,054
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:			
	Bond accreted interest accrual	$ (1,712,699)	
	Bond accreted interest paid	3,288,883	
	COPs accreted interest accrual	(524,617)	
	COPs accreted interest paid	865,817	
	Bond interest accrual	(6,537,144)	
	Bond interest paid	4,863,331	243,571

See notes to basic financial statements

(Continued)

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).			(28,237)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:			
	Net OPEB liability	$ (7,808,345)	
	Deferred outflow of resources	4,852,168	
	Deferred inflow of resources	(45,845)	(3,002,022)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This fiscal year, the difference between accrual basis pension costs and actual employer contributions was:			
	Net pension liability	$ (2,822,041)	
	Deferred outflow of resources	(5,506,416)	
	Deferred inflow of resources	(1,667,665)	(9,996,122)
Changes in net position of governmental activities			$ (14,495,732)

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2019

	Expendable Trust	Agency Funds		
	Retiree Benefits Fund	Student Body Funds	Payroll Clearance Fund	Total
Assets				
Cash and investments	$ 8,325,081	$ 336,320	$ 238,864	$ 575,184
Accounts receivable	6,989	-	-	-
Total assets	8,332,070	$ 336,320	$ 238,864	$ 575,184
Liabilities:				
Accounts payable	$ -	$ -	$ 238,864	$ 238,864
Due to student groups	-	336,320	-	336,320
Total liabilities	-	$ 336,320	$ 238,864	$ 575,184
Net Position:				
Unrestricted	$ 8,332,070			

See notes to basic financial statements

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Expendable Trust Retiree Benefits Fund
Additions:	
Contributions	$ 1,305,272
Investment earnings	374,053
Total additions	1,679,325
Deductions:	
Employee benefits	1,197,767
Change in net position	481,558
Net position - beginning	7,850,512
Net position - ending	$ 8,332,070

See notes to basic financial statements

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

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

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

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

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

Major Governmental Funds

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

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

Non-Major Governmental Funds

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

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

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

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

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

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

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

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting - Measurement Focus

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

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

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting — Measurement Focus (continued)

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

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

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position
Net Position represents the difference between assets and liabilities. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position are 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 $61,188,904 of restricted net position.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are dental and vision premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

G. Interfund Activity

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

H. 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.

I. Budgetary Data

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

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

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Property Tax

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

K. Future Accounting Pronouncements

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

Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement is effective for fiscal years beginning after December 15, 2020.

NOTE 2— CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	$ 217,014,422	$ 2,694,716
Cash on hand and in banks	580,518	336,320
Cash in revolving fund	20,003	-
CalPERS CERBT	-	5,869,229
Total Cash and Investments	$ 217,614,943	$ 8,900,265

B. Policies and Practices

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

Investment in County Treasury — The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

NOTE 2— CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $219,498,437 and an amortized book value of $219,709,138 for all governmental funds and fiduciary funds. The average weighted maturity for this pool is 547 days. The District also maintains an investment with CalPERS — California Employers' Retiree Benefit Trust (CERBT) Strategy 1 with a fair value of $5,869,229.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury and CalPERS CERBT were not rated.

NOTE 2— CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk — Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

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

The District's fair value measurements at June 30, 2019 were as follows:

	Fair Value of Investments
	Uncategorized
Investment in county treasury	$ 219,709,138
CalPERS CERBT	5,869,229
Total fair market value of investments	$ 225,578,367

NOTE 3— ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Federal Government					
Categorical aid	$ 2,761,183	$ -	$ 502,273	$ 3,263,456	$ -
State Government					
Categorical aid	1,085,737	-	236,344	1,322,081	-
Lottery	501,290	-	-	501,290	-
Local Government					
Other local sources	3,282,914	674,969	1,319,635	5,277,518	6,989
Total accounts receivable	$ 7,631,124	$ 674,969	$ 2,058,252	$ 10,364,345	$ 6,989

NOTE 4— CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 15,122,223	$ -	$ -	$ -	$ 15,122,223
Construction in progress	212,965,702	86,527,878	(478)	(143,874,509)	155,618,593
Total capital assets, not being depreciated	228,087,925	86,527,878	(478)	(143,874,509)	170,740,816
Capital assets being depreciated:					
Land improvements	17,591,763	-	-	50,405,943	67,997,706
Buildings and improvements	332,503,211	-	-	93,468,566	425,971,777
Furniture and equipment	26,950,769	574,413	(56,419)	-	27,468,763
Total capital assets being depreciated	377,045,743	574,413	(56,419)	143,874,509	521,438,246
Accumulated depreciation for:					
Land improvements	(12,996,701)	(762,362)	-	-	(13,759,063)
Buildings and improvements	(111,177,964)	(15,358,409)	-	-	(126,536,373)
Furniture and equipment	(15,385,726)	(1,632,889)	56,419	-	(16,962,196)
Total accumulated depreciation	(139,560,391)	(17,753,660)	56,419	-	(157,257,632)
Total capital assets, being depreciated, net	237,485,352	(17,179,247)	-	143,874,509	364,180,614
Governmental activity capital assets, net	$ 465,573,277	$ 69,348,631	$ (478)	$ -	$ 534,921,430
Depreciation unallocated	$ 17,753,660				
Total depreciation expense	$ 17,753,660				

NOTE 5— INTERFUND TRANSACTIONS

Transfers

Interfund transfers for the fiscal year ended June 30, 2019 consisted of the following:

	Interfund Transfers In	
Interfund Transfers Out	Non-Major Governmental Funds	Total
General Fund	$ 2,059,035	$ 2,059,035
Total interfund transfers	$ 2,059,035	$ 2,059,035

From the General Fund to the Cafeteria Fund for operational costs	$ 559,035
From the General Fund to the Deferred Maintenance Fund for maintenance costs	1,500,000
Total interfund transfers	$ 2,059,035

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Fiduciary
Payroll	$ 16,002,114	$ 68,469	$ 721,362	$ 16,791,945	$ 238,864
Construction	-	19,488,817	-	19,488,817	-
Vendors payable	3,939,472	-	1,332,794	5,272,266	-
Due to grantor governments	2,225,422	-	-	2,225,422	-
Other liabilities	2,425	-	292	2,717	-
Totals accrued liabilities	$ 22,169,433	$ 19,557,286	$ 2,054,448	$ 43,781,167	$ 238,864

NOTE 7— UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal categorical sources	$ 55,769	$ -	$ 55,769
State categorical sources	144,286	82,894	227,180
Local sources	837,830	69,522	907,352
Total unearned revenue	$ 1,037,885	$ 152,416	$ 1,190,301

NOTE 8— LONG-TERM DEBT

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year
Governmental Activities					
General obligation bonds:					
Principal	$ 360,110,615	$ 120,000,000	$ (23,121,117)	$ 456,989,498	$ 20,244,265
Unamortized premium	30,965,321	9,611,327	(2,067,556)	38,509,092	2,131,846
Unamortized discount	(24,957)	-	1,783	(23,174)	(1,783)
Accreted interest	22,464,192	1,712,699	(3,288,883)	20,888,008	4,716,638
Total general obligation bonds	413,515,171	131,324,026	(28,475,773)	516,363,424	27,090,966
Certificates of participation payable:					
Principal	6,371,502	-	(919,183)	5,452,319	892,929
Unamortized premium	248,344	-	(45,308)	203,036	45,308
Accreted interest	6,040,014	524,617	(865,817)	5,698,814	858,320
Total certificates of participation payable	12,659,860	524,617	(1,830,308)	11,354,169	1,796,557
Capital leases	28,125	-	(28,125)	-	-
Compensated absences	889,275	1,119,889	(1,091,652)	917,512	229,378
Net OPEB liability	38,066,329	7,808,345	-	45,874,674	-
Net pension liability	173,182,541	2,822,041	-	176,004,582	-
Totals	$ 638,341,301	$ 143,598,918	$ (31,425,858)	$ 750,514,361	$ 29,116,901

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

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

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

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

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

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

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Additions	Deductions	Bonds Outstanding June 30, 2019
1998 Refunding Bonds	6/18/1998	8/1/2018	3.75%-5.25%	$ 68,145,000	$ 4,525,000	$ -	$ (4,525,000)	$ -
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20-5.50%	38,000,034	12,540,615	-	(1,831,117)	10,709,498
Election 1998, Series 1999 Accreted Interest					22,464,192	1,712,699	(3,288,883)	20,888,008
Election 2006, Series B	7/23/2009	8/1/2019	1.50%-5.00%	11,875,000	3,070,000	-	(1,440,000)	1,630,000
Election 2006, Series C	7/14/2010	7/1/2023	3.00%-5.00%	10,690,000	2,925,000	-	(800,000)	2,125,000
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00%-5.00%	45,425,000	44,280,000	-	(1,235,000)	43,045,000
Election 2006, Series D	3/19/2013	7/1/2037	0.17%-5.00%	82,995,327	60,250,000	-	(265,000)	59,985,000
Election 2012, Series A	7/29/2014	7/1/2037	1.00%-4.00%	30,000,000	7,730,000	-	-	7,730,000
Election 2012, Series B	7/1/2015	7/1/2040	1.00%-3.70%	60,000,000	36,280,000	-	-	36,280,000
2015 Refunding Bonds	11/10/2015	8/1/2034	3.25%-5.00%	47,915,000	47,915,000	-	-	47,915,000
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	1.00%-4.00%	28,190,000	27,795,000	-	(295,000)	27,500,000
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	3.00%	660,000	660,000	-	-	660,000
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	2.00%-4.00%	52,140,000	52,140,000	-	-	52,140,000
Election 2012, Series C	6/21/2017	7/1/2042	3.125%-5.00%	60,000,000	60,000,000	-	(12,730,000)	47,270,000
Election 2012, Series D	9/6/2018	8/1/2043	3.00%-5.00%	120,000,000	-	120,000,000	-	120,000,000
		General obligation bonds			382,574,807	121,712,699	(26,410,000)	477,877,506
		Unamortized premium			30,965,321	9,611,327	(2,067,556)	38,509,092
		Unamortized discount			(24,957)	-	1,783	(23,174)
		Total general obligation bonds			$ 413,515,171	$ 131,324,026	$ (28,475,773)	$ 516,363,424

Series 1998 Refunding Bonds

On June 18, 1998, the District issued $68,145,000 of General Obligation Refunding Bonds Series 1998, with interest rates ranging from 3.75% to 5.25%. The bonds were issued to refund and defease all of the 1991A Bonds and 1993 Bonds maturing after August 1, 1998. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 1999, principal on the bonds is payable annually each August 1, commencing August 1, 1999 through the final maturity date of August 1, 2018. The principal balance outstanding on June 30, 2019 amounted to $0.

Election 1998

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

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 1998 (continued)
Series 1999, which was issued on May 26, 1999 for $38,000,034 with interest rates ranging from 3.20% to 5.50%. The original issuance consisted of $15,825,000 in current interest serial bonds and $22,175,034 in capital appreciation serial bonds. Interest on the current interest bonds accrues from its dated date and is payable semi-annually each February 1 and August 1, commencing February 1, 2000, principal on the bonds is payable annually each August 1, commencing August 1, 2000 through the final maturity date of August 1, 2011. The capital appreciation bonds accrue interest from its dated date, compounded semi-annually on February 1 and August 1 of each year, principal on the bonds is payable annually each August 1, commencing August 1, 2012 through the final maturity date of August 1, 2023. The principal balance outstanding and accreted interest on June 30, 2019 amounted to $10,709,498 and $20,888,008 respectively.

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

Series A, which was issued on October 2, 2007 for $60,000,000 with interest rates ranging from 4.00% to 5.00%. The original issuance consisted of $45,835,000 in current interest serial bonds and $14,165,000 in current interest term bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2008, principal on the bonds is payable annually each August 1, commencing August 1, 2008 through the final maturity date of August 1, 2032. The principal balance outstanding on June 30, 2019 amounted to $0.

Series B, which was issued on July 23, 2009 for $11,875,000 with interest rates ranging from 1.50% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each February 1 and August 1, commencing February 1, 2010, principal on the bonds is payable annually each August 1, commencing August 1, 2010 through the final maturity date of August 1, 2019. The principal balance outstanding on June 30, 2019 amounted to $1,630,000.

Series C, which was issued on July 14, 2010 for $10,690,000 with interest rates ranging from 3.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each January 1 and July 1, commencing January 1, 2011, principal on the bonds is payable annually each July 1, commencing July 1, 2011 through the final maturity date of July 1, 2023. On October 11, 2016, the District issued 2016 Series A to advance refund the entire remaining balance of 2006 General Obligation Refunding Bonds, a partial of Election 2006 Series C Bonds, and a partial of Election 2006 Series D Bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is $10,283,406 and an economic gain (difference between the present values of the old and new debt) of $5,185,372. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. The principal balance outstanding on June 30, 2019 amounted to $2,125,000.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 2006 (continued)

Series D, which was issued on March 19, 2013 for $82,995,327 with interest rates ranging from 0.17% to 5.00%. The original issuance consisted of $42,780,000 in current interest serial bonds, $24,200,000 in current interest term bonds and $16,015,327 in capital appreciation serial bonds. Interest on the current interest bonds is payable semi-annually each January 1 and July 1, commencing July 1, 2013, principal on the bonds is payable annually each July 1, commencing July 1, 2013 through the final maturity date of July 1, 2037. On October 11, 2016, the District issued 2016 Series A to advance refund the entire remaining balance of 2006 General Obligation Refunding Bonds, a partial of Election 2006 Series C Bonds, and a partial of Election 2006 Series D Bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is $10,283,406 and an economic gain (difference between the present values of the old and new debt) of $5,185,372. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. The principal balance outstanding on June 30, 2019 amounted to $59,985,000.

2013 General Obligation Refunding Bonds

On January 8, 2013, the District issued $45,425,000 of 2013 General Obligation Refunding Bonds, with interest rates ranging from 2.00% to 5.00%. The bonds were issued to refund all or a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series A and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semiannually each February 1 and August 1, commencing August 1, 2013, principal on the bonds is payable annually each August 1, commencing August 1, 2013 through the final maturity date of August 1, 2032. The principal balance outstanding on June 30, 2019 amounted to $43,045,000.

Election 2012

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

Series A, on July 29, 2014, the District issued $30,000,000 of Election 2012, Series A General Obligation Bonds, with interest rates ranging from 1.00% to 4.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2015. Principal on the bonds is payable on July 1 consisting of seven separate payments through the final maturity date of July 1, 2037. As of June 30, 2019, the full principal balance of $7,730,000 remained outstanding.

Series B, on July 1, 2015, the District issued $60,000,000 of Election 2012, Series B General Obligation Bonds, with interest rates ranging from 1.00% to 3.70%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2016. Principal on the bonds is payable on July 1 through the final maturity date of July 1, 2040. As of June 30, 2019, the full principal balance of $36,280,000 remained outstanding.

NOTE 8 — LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 2012 (continued)

Series C, on June 21, 2017, the District issued $60,000,000 of Election 2012, Series C General Obligation Bonds, with interest rates ranging from 3.125% to 5.00%. The original issuance consisted $46,995,000 of current interest serial bonds and $13,005,000 term bonds. Interest on the bonds is payable semi-annually each January 1 and July 1, commencing January 1, 2018. Principal on the bonds is payable on July 1 through the final maturity date of July 1, 2042. The principal balance outstanding on June 30, 2019 amounted to $47,270,000.

Series D, on September 6, 2018, the District issued $120,000,000 of Election 2012, Series D General Obligation Bonds, with interest rates ranging from 3.00% to 5.00%. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2019. Principal on the bonds is payable on August 1 through the final maturity date of August 1, 2043. As of June 30, 2019, the full principal balance of $120,000,000 remained outstanding.

2015 General Obligation Refunding Bonds

On November 10, 2015, the District issued $47,915,000 of 2015 General Obligation Refunding Bonds, with interest rates ranging from 3.25% to 5.00%. The bonds were issued to advance refund the District's outstanding General Obligation Bonds, Election of 2006, Series B-1 and pay costs of issuance of the bonds. The original issuance consisted entirely of current interest serial bonds. Interest on the bonds is payable semi-annually each February 1 and August 1, commencing February 1, 2016, principal on the bonds is payable annually each August 1, commencing August 1, 2020 through the final maturity date of August 1, 2034. The principal balance outstanding on June 30, 2019 amounted to $47,915,000.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amount on refunding on the statement of net position and are amortized as an expense over the life of the bond. As of June 30, 2019, the principal balance on the defeased debt was $48,125,000.

2016 General Obligation Refunding Bonds

On October 11, 2016, the District issued $28,190,000, $660,000, and $52,140,000 of 2016 General Obligation Refunding Bonds Series A, Series B, and Series C respectively, with interest rates ranging from 1.00% to 5.00%. The bonds were issued to advance refund the District's outstanding 2006 General Obligation Refunding Bonds, Election 2006, Series C, Election 2006, Series C-1, and Election 2006, Series D and pay costs of issuance of the bonds. Interest on the bonds is payable semi-annually each July 1 and January 1, commencing January 1, 2017, principal on the bonds is payable annually each July 1, commencing July 1, 2017 through the final maturity date of July 1, 2035. The principal balance outstanding on June 30, 2019 for Series A, B, and C amounted to $27,500,000, $660,000 and $52,140,000 respectively.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amount on refunding on the statement of net position and are amortized as an expense over the life of the bond. As of June 30, 2019, the principal balance on the 2006 General Obligation Refunding Bonds, Election 2006, Series C, Election 2006, Series C-1, and Election 2006, Series D defeased debts were $0, $4,955,000, $54,310,000, $16,015,327 respectively.

NOTE 8— LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

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

Fiscal Years	General Obligation Bonds		
Ending June 30,	Principal	Interest	Total
2020	$ 20,244,265	$ 19,566,784	$ 39,811,049
2021	16,293,576	22,254,731	38,548,307
2022	10,702,008	21,862,278	32,564,286
2023	11,621,960	21,640,678	33,262,638
2024	12,377,689	20,640,109	33,017,798
2025-2029	75,505,000	71,552,072	147,057,072
2030-2034	119,000,000	52,228,376	171,228,376
2035-2039	126,675,000	25,761,738	152,436,738
2040-2044	64,570,000	6,804,429	71,374,429
Total	$ 456,989,498	$ 262,311,195	$ 719,300,693

B. Certificates of Participation (COPs) – Direct Placements

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2018	Additions	Deductions	Certificates Outstanding June 30, 2019
2001 Series C	11/15/2001	5/1/2025	3.5%-5.4%	$ 15,206,501	$ 4,466,502	$ -	$ (634,183)	$ 3,832,319
2002 Series C Accreted Interest					6,040,014	524,617	(865,817)	5,698,814
2010 Series B	12/1/2010	2/1/2024	2.0%-5.0%	8,015,000	1,905,000	-	(285,000)	1,620,000
		Certificated of participation			12,411,516	524,617	(1,785,000)	11,151,133
		Unamortized premium			248,344	-	(45,308)	203,036
		Total certificates of participation			$ 12,659,860	$ 524,617	$ (1,830,308)	$ 11,354,169

2001 Series C

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

The certificates have interest rates ranging from 3.50% to 5.40%. Interest on the current interest certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2002, principal on the certificates is payable annually each May 1, commencing May 1, 2002 through the final maturity date of May 1, 2018. Interest on the capital appreciation certificates accretes from the dated date, compounded semi-annually on each May 1 and November 1, commencing May 1, 2002, principal and interest payments are payable semi-annually each May 1 and November 1, commencing November 1, 2018 through the final maturity date of May 1, 2025. A portion of the outstanding certificates were refunded with proceeds from the 2010 Refunding Certificates. The outstanding principal and accreted interest balance at June 30, 2019 amounted to $3,832,319 and $5,698,814 respectively.

NOTE 8— LONG-TERM DEBT (continued)

B. Certificates of Participation (COPs) – Direct Placements (continued)

2001 Series C (continued)

The District's failure to make any base rental payment when due will not constitute a default under the sublease so long as (i) there are sufficient amounts in the Series C reserve fund to pay the principal and interest due, (ii) the District has not fail to pay more than two consecutive base rental payments, and (iii) any such delinquent base rental is paid within one year its original due date. direct placements contain a provision that in an event of default,

2010 Refunding, Series B (Tax-Exempt)

On December 1, 2010, the District and the California School Boards Association Finance Corporation entered a sublease in which the Corporation leased to the District certain real property and building and improvements situated thereon. The 2010 Refunding Certificates of Participation, Series B were executed and delivered to refund a portion of the District's outstanding Certificates of Participation, 2001 Series C, finance the construction, renovation, and modernization of school sites and facilities, and pay the costs related to the execution and delivery of the Certificates. Series B Certificates consisted of $8,015,000 in current interest serial certificates. The certificates have interest rates ranging from 2.00% to 5.00%. Interest on the certificates is payable semi-annually each May 1 and November 1, commencing May 1, 2011, principal on the certificates is payable annually each May 1, commencing May 1, 2014 through the final maturity date of May 1, 2024. The principal balance outstanding at June 30, 2019 amounted to $1,620,000.

Debt Service Requirements to Maturity – COPs

The certificates mature through 2025 as follows:

Fiscal Years	Certificates of Participation		
Ending June 30,	Principal	Interest	Total
2020	$ 892,929	$ 974,802	$ 1,867,731
2021	1,038,227	1,272,704	2,310,931
2022	1,006,861	1,306,670	2,313,531
2023	985,632	1,331,899	2,317,531
2024	959,700	1,350,831	2,310,531
2025	568,970	1,376,031	1,945,001
Total	$ 5,452,319	$ 7,612,937	$ 13,065,256

C. Capital Leases

The District entered into two capital leases with options to purchase for bus fleets. Payments for capital lease obligations are made in the General Fund. As of June 30, 2019, the capital leases were fully paid.

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to $917,512. This amount is included as part of long-term liabilities in the government-wide financial statements.

NOTE 8— LONG-TERM DEBT (continued)

E. Other Postemployment Benefits (OPEB)

The District follows GASB Statement No, 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The ending OPEB balance at June 30, 2019 was $45,874,674. See Notes 10 and 11 for additional information regarding the net OPEB liability and the postemployment benefit plan.

F. Pension Liability

The District's beginning net pension liability was $173,182,541 and increased by $2,822,041 during the fiscal year ended June 30, 2019. The ending net pension liability at June 30, 2019 was $176,004,582. See Note 12 for additional information regarding the net pension liability.

NOTE 9— FUND BALANCES

Fund balances were composed of the following elements at June 30, 2019:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 20,003	$ -	$ -	$ -	$ 20,003
Stores inventories	-	-	-	23,872	23,872
Prepaid expenditures	284,725	-	-	-	284,725
Total Non-spendable	304,728	-	-	23,872	328,600
Restricted					
Educational programs	5,009,346	-	-	437,613	5,446,959
Capital projects	-	93,990,808	-	16,489,464	110,480,272
Debt service	-	-	45,193,024	-	45,193,024
All others	-	-	-	593,635	593,635
Total Restricted	5,009,346	93,990,808	45,193,024	17,520,712	161,713,890
Committed					
Others commitments	-	-	-	760,019	760,019
Total Committed	-	-	-	760,019	760,019
Assigned					
Reserve for FY 20-23 deficit spending	12,765,201	-	-	-	12,765,201
Reserve up to two months expenses	3,390,114	-	-	-	3,390,114
Other assignments	1,014,968	-	-	1,363,395	2,378,363
Total Assigned	17,170,283	-	-	1,363,395	18,533,678
Unassigned					
Reserve for economic uncertainties	5,017,101	-	-	-	5,017,101
Unassigned	-	-	-	-	-
Total Unassigned	5,017,101	-	-	-	5,017,101
Total	$ 27,501,458	$ 93,990,808	$ 45,193,024	$ 19,667,998	$ 186,353,288

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

At June 30, 2019, net OPEB liability and related deferred outflows/inflows of resources are as follows:

	Governmental Activities
Net OPEB liabilities:	$ 45,126,288
Total net OPEB liabilities	$ 45,126,288

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 4,907,339	$ -
Net differences between projected and actual earnings of investments		62,573
Total	$ 4,907,339	$ 62,573

Plan Description

Plan administration. The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through contributions of amounts up to the premiums for either of the PEMHCA HMOs (including dependent coverage), plus coverage under one of the District's dental plans (Delta Dental and Delta Care). This contribution includes the statutory minimum ($133.00 per month for 2018) that the District designates for PEMHCA. The $133.00 per month is scheduled by law to be indexed with medical inflation (CPI) for years 2016 and thereafter. The District also contributes the PEMHCA administrative fee of 0.33% of premium for all active employees.

Benefits provided. The District also offers PEMHCA to its retirees. The District contributes the statutory minimum ($133.00 per month for 2018) as well as the administrative fee of 0.33% of premium to PEMHCA on behalf of each retiree eligible for and participating in PEMHCA. Furthermore, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to provisions of the District's agreements with its various employee groups, as described below.

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

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

Active plan members	1,399
Inactive employees or beneficiaries currently receiving benefit payments	399
Total	1,798

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

Contributions. The District currently finances benefits on a pay-as-you-go basis. The District has a CERBT Strategy 1 OPEB Trust.

Net OPEB Liability
The District's 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 July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

Salary increase	3.00 percent
Inflation rate	3.00 percent
Investment rate of return	5.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	5.00 percent for 2019 and later years

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global Equity	57%	4.4
Fixed Income	27%	1.5
Treasury Inflation-Protected Security	5%	1.2
Real Estate Investment Trusts	8%	3.7
Commodities	3%	0.6

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

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

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

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

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments	Municipal Bond 20 Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	5.00%	3.62%	5.00%
June 30, 2019	June 30, 2019	5.00%	3.13%	4.06%

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at fiscal year ending June 30, 2018	$ 42,740,577	$ 5,530,170	$ 37,210,407
Changes Recognized for the Measurement Period:			
Service Cost	2,077,187	-	2,077,187
Interest on the total OPEB liability	2,100,375	-	2,100,375
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	5,561,651	-	5,561,651
Contributions from the employer	-	1,484,273	(1,484,273)
Net investment income	-	343,772	(343,772)
Administrative expenses	-	(4,713)	4,713
Benefit payments	(1,484,273)	(1,484,273)	-
Net Changes during July 1,2018 to June 30, 2019	8,254,940	339,059	7,915,881
Balance at fiscal year ending June 30, 2019 (Measurement Date)	$ 50,995,517	$ 5,869,229	$ 45,126,288

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06 percent) or 1-percentage- point higher (5.06 percent) than the current discount rate:

Plan's Net OPEB Liability (Asset)		
Current Discount Rate - 1%	Current Discount Rate (4.06%)	Current Discount Rate + 1%
$ 52,204,937	$ 45,126,288	$ 39,240,462

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

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

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

Plan's Net OPEB Liability (Asset)		
Current Trend Rate - 1%	Current Healthcare Cost Trend Rate (5.00%)	Current Trend Rate + 1%
$ 41,788,366	$ 45,126,288	$ 49,229,492

Investments

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

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

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

Rate of return. For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 6.18 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Annual money-weighted rate of return, net of investment expense	6.18%

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

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of $4,538,678. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 4,907,339	$ -
Net differences between projected and actual earnings of investments		62,573
Total	$ 4,907,339	$ 62,573

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

Measurement Period Ended June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2020	$ 637,625
2021	637,625
2022	637,623
2023	641,802
2024	654,312
Thereafter	1,635,779
Total	$ 4,844,766

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

Plan Description

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

Benefits Provided

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

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

Contributions

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, benefit payments 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.

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

At June 30, 2019, the District reported a liability of $748,386 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1960 percent, and 0.2030 percent, resulting in a net decrease in the proportionate share of 0.0070 percent.

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $(107,536).

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experince Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Medicare Part A Premium Costs Trend Rate[1]	3.70%
Medicare Part B Premium Costs Trend Rate[1]	4.10%

[1]The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year; however, the increases are approximately equivalentto a 3.7 percent and 4.1 percent increase each year for Medicare Part A and Part B, respectively.

In addition, 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 a member's 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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 fi t 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.

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

Actuarial Assumptions (continued)

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, 2018, 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, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Net OPEB Liability	$ 827,753	$ 748,386	$ 676,724

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measure period ended June 30, 2018:

	1% Decrease (2.7% Part A and 3.1 Part B)	Current Healthcare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
Net OPEB Liability	$ 682,453	$ 748,386	$ 819,297

Payables to the OPEB Plan

At June 30, 2019, the District had no amount outstanding for contributions to the OPEB plan required for the fiscal year ended June 30, 2019.

NOTE 12 – PENSION PLANS

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

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

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 114,272,455	$ 39,291,522	$ 11,628,116	$ 16,875,590
CalPERS	61,732,127	16,422,396	148,448	11,874,017
Total	$ 176,004,582	$ 55,713,918	$ 11,776,564	$ 28,749,607

California State Teacher's Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – 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, 2017, 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/memberpublications.

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.

NOTE 12— PENSION PLANS (continued)

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

A. General Information about the Pension Plan (continued)

Benefits Provided (Continued)

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

	CalSTRS	
Hire Date	Before January 1, 2013	On or After January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contribution rates (Average)	10.250%	10.205%
Required employer contribution rates	16.280%	16.280%
Required state contribution rates	9.828%	9.828%

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

For the fiscal year ended June 30, 2019, the contributions were as follows:

	CalSTRS
Contribution – employer	$ 10,997,978
Contribution – state	$ 10,430,667

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

As of June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 114,272,455
State's proportionate share of the net pension liability associated with the District	68,048,603
Total	$ 182,321,058

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.12433%, which decreased by 0.00349%, its proportion measured as of June 30, 2017.

NOTE 12— PENSION PLANS (continued)

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

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

For the fiscal year ended June 30, 2019, the District recognized pension expense of $16,875,590. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 354,347	$ 1,658,238
Changes of assumptions	17,751,117	-
Changes in proportions	3,887,546	5,571,059
Net difference between projected and actual earning on pension plan investments	-	4,398,819
Differences between District contributions and proportionate share of contributions	6,300,534	-
District contributions subsequent to the measurement date	10,997,978	-
Total	$ 39,291,522	$ 11,628,116

$10,997,978 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in pension expense beginning in the current period using a straight line method over a closed seven year period equal to the average of the expected remaining service lives of all plan members who are provided with pensions through CalSTRS (active and inactive), as of July 1, 2017. Similarly, deferred inflows and outflows relating to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

As of June 30, 2019, the deferred outflows of resources and deferred inflows of resources related to STRP from the aforementioned sources are as follows:

Fiscal Year Ended June 30	Amount
2020	$ 5,328,997
2021	3,680,040
2022	681,393
2023	2,993,382
2024	4,368,814
Thereafter	(387,198)
Total	$ 16,665,428

NOTE 12— PENSION PLANS (continued)

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

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return[1]	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2% simple for DB (Annually)
	Maintain 85% purchasing power level for DB
	Not applicable for DBS/CBB

[1] Net of investment expenses but gross of administrative expenses.

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.

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 inputs 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 expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2018, are summarized in the following table:

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

*20 year geometric average

NOTE 12— PENSION PLANS (continued)

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

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

Actuarial Assumptions (continued)

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

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

1% Decrease		6.10%
Net Pension Liability	$	167,395,771
Current Discount Rate		7.10%
Net Pension Liability	$	114,272,455
1% Increase		8.10%
Net Pension Liability	$	70,228,067

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

C. Payable to the Pension Plan

At June 30, 2019, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2019.

D. On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $10,430,667. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 12— PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - 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(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report(s) 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 Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalPERS	
Hire Date	Before January 1, 2013	On or After January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

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

NOTE 12— PENSION PLANS (continued)

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

A. General Information About the Pension Plan (continued)

Contributions – Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions 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 of employees. The contributions rates are expressed as percentage of annual payroll.

For the fiscal year ended June 30, 2019, the contributions were as follows:

Contribution - employer	$	5,524,528
Contribution – state		2,093,031

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

As of June 30, 2019, the District reported net pension liability for its proportionate shares of the net pension liability in the amount of $61,732,127.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.23153%, which increased by 0.00127% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of $11,874,017. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference between expected and actual experience	$	4,046,932	$	-
Changes of assumptions		6,163,681		-
Changes in proportions		180,913		125,342
Net difference between projected and actual earning on pension plan investments		506,342		-
Differences between District contributions and proportionate share of contributions		-		23,106
District contributions subsequent to the measurement date		5,524,528		-
Total	$	16,422,396	$	148,448

NOTE 12— PENSION PLANS (continued)

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

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

$5,524,528 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

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

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

Fiscal Year Ended June 30	Amount
2020	$ 6,347,739
2021	4,785,467
2022	(19,418)
2023	(364,368)
Total	$ 10,749,420

Actuarial Method and Assumptions **–** The collective total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018.

	CalPERS
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table[1]	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2% until PPPA Allowance Floor on Purchasing Power Applies, 2.50% thereafter

[1]The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study rep
(based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

NOTE 12— PENSION PLANS (continued)

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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 expected real rates of return by asset class are as followed:

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1-10[2]	Real Return Years 11+[3]
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.26%
Inflation Sensitive	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Cash/Liquidity	1%	0.00%	-0.92%
	100%		

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities;
Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

Discount Rate - The discount rate used to measure the total pension liability for PERF B was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12— PENSION PLANS (continued)

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

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

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

1% Decrease		6.15%
Net Pension Liability	$	89,879,025
Current Discount Rate		7.15%
Net Pension Liability	$	61,732,127
1% Increase		8.15%
Net Pension Liability	$	38,380,246

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

C. Payable to the Pension Plan

At June 30, 2019, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2019.

D. On Behalf Payments

The State of California makes contributions to CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalPERS in the amount of $2,093,031. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 13— SUBSEQUENT EVENT

On September 10, 2019, the District issued $110,000,000 and $35,000,000 of General Obligation Bonds of School Facilities Improvement District No. 1 and No. 2 respectively. On October 7, 2019, the District issued $105,915,000 Refunding General Obligation Bonds to refinance certain outstanding general obligation bonds.

NOTE 14— COMMITMENTS AND CONTINGENCIES

A. <u>Grants</u>

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

NOTE 14— COMMITMENTS AND CONTINGENCIES (continued)

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall the financial position of the District on June 30, 2019, however, with one of the cases against the District, if the appellate court overturns the district court's decision in favor of the District, the Plaintiff may be able to recover attorney fees from the District.

C. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects as follows:

	Construction Commitment	
Capital Projects		
Measure BB	$	37,590,842
Measure ES		35,115,059
Total	$	72,705,901

NOTE 15— PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

NOTE 16— DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Refunded Debt
Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was $16,552,598.

NOTE 17 – RESTATEMENT

The District was overpaid the ERAF Property Tax revenue by LACOE in prior fiscal year. As a result, both the governmental activities' net position and general fund fund balance were restated in an amount of $8,861,132.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual*	(Negative)
Revenues:				
LCFF Sources:				
State apportionments	$ 8,585,843	$ 8,585,843	$ 8,585,957	$ 114
Education protection state aid	2,000,000	2,000,000	2,096,214	96,214
Local sources	91,028,004	87,454,222	85,386,023	(2,068,199)
Federal	3,949,238	4,742,592	4,381,856	(360,736)
Other state	6,493,753	5,723,747	5,600,902	(122,845)
Other local	50,576,953	52,465,167	54,827,692	2,362,525
Total revenues	162,633,791	160,971,571	160,878,644	(92,927)
Expenditures:				
Certificated salaries	66,209,252	66,798,165	66,053,344	744,821
Classified salaries	30,666,716	30,840,468	30,761,323	79,145
Employee benefits	40,740,816	39,893,602	39,500,106	393,496
Books and supplies	7,650,314	9,734,798	6,399,486	3,335,312
Contracted services and other operating expenditures	15,336,722	18,587,708	18,662,388	(74,680)
Capital outlay	92,160	485,422	349,532	135,890
Other outgo	(427,938)	(522,157)	(499,646)	(22,511)
Debt service				
Principal	27,500	28,125	28,125	-
Interest	1,300	674	673	1
Total expenditures	160,296,842	165,846,805	161,255,331	4,591,474
Excess of revenues over (under) expenditures	2,336,949	(4,875,234)	(376,687)	4,498,547
Other Financing Sources (Uses):				
Transfers out	(3,300,000)	(2,400,000)	(2,059,035)	340,965
Total other financing sources (uses)	(3,300,000)	(2,400,000)	(2,059,035)	340,965
Net change in fund balance	(963,051)	(7,275,234)	(2,435,722)	4,839,512
Fund balance - beginning	38,798,312	38,798,312	38,798,312	-
Prior period adjustments	-	-	(8,861,132)	(8,861,132)
Fund balance - beginning - restated	38,798,312	38,798,312	29,937,180	(8,861,132)
Fund balance - ending	$ 37,835,261	$ 31,523,078	$ 27,501,458	$ (4,021,620)

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues Expenditures, and Changes in Fund Balance for the following reasons:

- STRS on-behalf payments of $9,975,995 and PERS on-behalf payments of $1,850,886 are not included in the actual revenues and expenditures reported in this schedule.

See notes to required supplementary informatior

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

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

	June 30, 2019	June 30, 2018
District's proportion of the net pension liability	0.124%	0.128%
District's proportionate share of the net pension liability	$ 114,272,455	$ 118,214,471
State's proportionate share of the net pension liability associated with the District	68,048,603	71,711,086
Total	$ 182,321,058	$ 189,925,557
District's covered payroll	$ 67,206,168	$ 67,800,668
District's proportionate share of the net pension liability as percentage of covered payroll	170.03%	174.36%
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%

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

	June 30, 2019	June 30, 2018
District's proportion of the net pension liability	0.232%	0.230%
District's proportionate share of the net pension liability	$ 61,732,127	$ 54,968,070
District's covered payroll	$ 30,836,411	$ 29,392,792
District's proportionate share of the net pension liability as percentage of covered payroll	200.19%	187.01%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%

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

See notes to required supplementary information

June 30, 2017	June 30, 2016	June 30, 2015
0.124%	0.132%	0.126%
$ 100,480,053	$ 88,739,307	$ 73,375,330
61,767,308	46,933,185	44,307,192
$ 162,247,361	$ 135,672,492	$ 117,682,522
$ 63,504,492	$ 60,268,419	$ 57,309,309
158.23%	147.24%	128.03%
70.04%	74.02%	76.52%

June 30, 2017	June 30, 2016	June 30, 2015
0.231%	0.233%	0.231%
$ 45,665,948	$ 34,274,607	$ 26,174,060
$ 27,759,137	$ 25,758,704	$ 24,305,768
164.51%	133.06%	107.69%
73.90%	79.43%	87.77%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

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

	June 30, 2019	**June 30, 2018**
Contractually required contribution (actuarially determined)	$ 10,997,978	$ 9,697,850
Contribution in relation to the actuarially determined contributions	(10,997,978)	(9,697,850)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 67,555,147	$ 67,206,168
Contributions as a percentage of covered payroll	16.280%	14.430%

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

	June 30, 2019	**June 30, 2018**
Contractually required contribution (actuarially determined)	$ 5,524,528	$ 4,789,203
Contribution in relation to the actuarially determined contributions	(5,524,528)	(4,789,203)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 30,586,469	$ 30,836,411
Contributions as a percentage of covered payroll	18.062%	15.531%

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

See notes to required supplementary information

June 30, 2017	June 30, 2016	June 30, 2015
$ 8,529,324	$ 6,814,032	$ 5,351,837
(8,529,324)	(6,814,032)	(5,351,837)
$ -	$ -	$ -
$ 67,800,668	$ 63,504,492	$ 60,268,419
12.580%	10.730%	8.880%

June 30, 2017	June 30, 2016	June 30, 2015
$ 4,082,071	$ 3,288,625	$ 3,032,060
(4,082,071)	(3,288,625)	(3,032,060)
$ -	$ -	$ -
$ 29,392,792	$ 27,759,137	$ 25,758,704
13.888%	11.847%	11.771%

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

For the Fiscal Year Ended June 30, 2019

	2019	2018
Employer Fiscal Year End June 30,	2019	2018
Measurement Period Fiscal Year Ended June 30,	2019	2018
Total OPEB Liability		
Service Cost	$ 2,077,187	$ 2,016,686
Interest on the Total OPEB Liability	2,100,375	1,974,060
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	-
Changes of Assumptions	5,561,651	-
Benefit Payments	(1,484,273)	(1,445,115)
Net Change in Total OPEB Liability	8,254,940	2,545,631
Total OPEB Liability - Beginning	42,740,577	40,194,946
Total OPEB Liability - Ending	$ 50,995,517	$ 42,740,577
OPEB Fiduciary Net Position		
Contributions from the Employer	$ 1,484,273	$ 2,445,115
Net Investment Income	343,772	311,899
Administrative Expenses/Trustee Fees	(4,713)	(4,176)
Benefit Payments	(1,484,273)	(1,445,115)
Net Change in Plan Fiduciary Net Position	339,059	1,307,723
Plan Fiduciary Net Position - Beginning	5,530,170	4,222,447
Plan Fiduciary Net Position - Ending	$ 5,869,229	$ 5,530,170
District's Net OPEB Liability	$ 45,126,288	$ 37,210,407
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.51%	12.94%
Covered-Employee Payroll	$ 104,303,501	$ 98,657,614
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	43.26%	37.72%

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

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY MEDICARE PREMIUM PAYMENT PROGRAM

For the Fiscal Year Ended June 30, 2019

Employer Fiscal Year End June 30,	2019	2018
Measurement Period Fiscal Year End June 30,	2018	2017
District's proportion of the net OPEB liability	0.196%	0.203%
District's proportionate share of the net OPEB liability	$ 748,386	$ 855,922
District's covered payroll[1]	N/A	N/A
District's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	-0.404%	0.010%

[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.

See notes to required supplementary information

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2019

Last 10 Years*

	2018-19	2017-18
Actuarially Determine Contribution	$ 3,767,554	$ 3,657,819
Contributions in Relation to the Actuarially Determined Contribution	1,484,273	2,445,115
Contribution Deficiency (Excess)	$ 2,283,281	$ 1,212,704
Cover Payroll During Fiscal Year	$ 104,303,501	$ 98,657,614
Contributions as a Percentage of Covered Employee Payroll	1.42%	2.48%

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

See notes to required supplementary information

NOTE 1- PURPOSE OF SCHEDULES

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

Schedule of the District's Proportionate Share of the Net Pension Liability
The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability. In the future, as data becomes available, 10 years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

CalSTRS - The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2020 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS - In Fiscal Year 2017-18, demographic assumptions and inflation rate were charged in accordance to the CalPERS Experience Study and Review of Actuarial assumptions December 2017. There were no changes in the discount rate.

Schedule of District Pension Contributions
The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Changes in the District’s Net OPEB Liability and Related Ratios
The schedule presents the beginning balances of the total OPEB liability, the OPEB plan’s fiduciary net position, the Net OPEB liability, the effects during the period, the ending balances of the total OPEB liability, the OPEB plan’s fiduciary net position, and the Net OPEB liability, the covered-employee payroll, and the net OPEB liability as a percentage of covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of the District’s Proportionate Share of the Net OPEB Liability
The schedule presents the District’s proportion (percentage) of the collective net OPEB liability, the employer’s proportionate share (amount) of the collective net OPEB liability, the District’s covered-employee payroll, the District’s proportionate share (amount) of the collective net OPEB liability as a percentage of the total OPEB liability. In the future, as data becomes available, 10 years of information will be presented.

NOTE 1- PURPOSE OF SCHEDULES (continued)

Schedule of Postemployment Healthcare Benefits Employer Contributions
The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2- EXCESS OF EXPENDITURES OVER APPROPRIATIONS
For the fiscal year ended June 30, 2019, excess of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

Contracted services and other operating expenditures	$ 74,680
Other outgo	$ 22,511

SUPPLEMENTARY INFORMATION

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets				
Cash and investments	$ 733,280	$ 1,469,239	$ 235,956	$ 928,580
Accounts receivable	33,830	587,182	291,840	827
Stores inventories	-	-	23,872	-
Total assets	$ 767,110	$ 2,056,421	$ 551,668	$ 929,407
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 33,256	$ 600,163	$ 170,849	$ 169,388
Unearned revenue	-	152,416	-	-
Total liabilities	33,256	752,579	170,849	169,388
Fund balances:				
Nonspendable				
Store inventories	-	-	23,872	-
Restricted				
Adult education	437,613	-	-	-
Child development	-	236,688	-	-
Nutrition	-	-	356,947	-
Capital projects	-	-	-	-
Committed				
Deferred maintenance	-	-	-	760,019
Assigned				
Adult education	296,241	-	-	-
Child development	-	1,067,154	-	-
Total fund balances	733,854	1,303,842	380,819	760,019
Total liabilities and fund balances	$ 767,110	$ 2,056,421	$ 551,668	$ 929,407

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
$ 3,023,914	$ 13,401,769	$ 19,792,738
777,239	367,334	2,058,252
-	-	23,872
$ 3,801,153	$ 13,769,103	$ 21,874,862
$ 518,744	$ 562,048	$ 2,054,448
-	-	152,416
518,744	562,048	2,206,864
-	-	23,872
-	-	437,613
-	-	236,688
-	-	356,947
3,282,409	13,207,055	16,489,464
-	-	760,019
-	-	296,241
-	-	1,067,154
3,282,409	13,207,055	19,667,998
$ 3,801,153	$ 13,769,103	$ 21,874,862

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues:				
Federal	$ 45,771	$ 1,697,494	$ 1,264,066	$ -
Other state	701,381	3,582,148	152,042	-
Other local	45,104	4,536,567	1,450,212	3,137
Total revenues	792,256	9,816,209	2,866,320	3,137
Expenditures:				
Certificated salaries	267,915	2,890,535	-	-
Classified salaries	157,216	2,267,228	1,380,323	-
Employee benefits	203,855	2,843,625	650,822	-
Books and supplies	35,543	115,124	1,556,893	43,370
Contracted services and other operating expenditures	28,296	865,248	(327,222)	1,189,259
Capital outlay	-	-	-	79,422
Other outgo	29,924	336,535	161,064	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	722,749	9,318,295	3,421,880	1,312,051
Excess of revenues over (under) expenditures	69,507	497,914	(555,560)	(1,308,914)
Other Financing Sources (Uses):				
Transfers in	-	-	559,035	1,500,000
Total other financing sources (uses)	-	-	559,035	1,500,000
Net change in fund balances	69,507	497,914	3,475	191,086
Fund balance - beginning	664,347	805,928	377,344	568,933
Fund balance - ending	$ 733,854	$ 1,303,842	$ 380,819	$ 760,019

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
$ -	$ -	$ 3,007,331
-	-	4,435,571
1,793,072	4,872,983	12,701,075
1,793,072	4,872,983	20,143,977
-	-	3,158,450
-	-	3,804,767
-	-	3,698,302
20,576	175,369	1,946,875
2,354,935	4,649,798	8,760,314
-	613,645	693,067
-	-	527,523
-	919,183	919,183
-	949,252	949,252
2,375,511	7,307,247	24,457,733
(582,439)	(2,434,264)	(4,313,756)
-	-	2,059,035
-	-	2,059,035
(582,439)	(2,434,264)	(2,254,721)
3,864,848	15,641,319	21,922,719
$ 3,282,409	$ 13,207,055	$ 19,667,998

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

ORGANIZATION
June 30, 2019

The Santa Monica-Malibu Unified School District (the "District") was established in 1875. The District's boundaries encompass all of the City of Santa Monica and part of the Los Angeles County from the Ventura County line on the west: the Malibu area to approximately the top of the Santa Monica Mountains on the north. The boundaries exclude those portions of the north section that are included in the Las Virgenes Unified School District and those portions of Pacific Palisades that are included in the Los Angeles Unified School District. There were no changes in the boundaries of the District during the current fiscal year. The District is currently operating ten elementary schools, two middle schools, two high schools, one continuation school, one alternative school, one adult education center, and fifteen child care and development centers.

BOARD OF EDUCATION

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

SUPERINTENDENT

Ben Drati

ADMINISTRATION

Melody Canady, Assistant Superintendent, Business and Fiscal Services,

Jacqueline Mora, Assistant Superintendent of Educational Services

Mark Kelly, Assistant Superintendent of Human Resources

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
For Fiscal Year Ended June 30, 2019

	Second Period Report	Revised Second Period Report	Annual Report
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	2,869.99	2,869.88	2,872.60
Extended Year Special Education	5.85	5.85	5.85
Special Education - Nonpublic Schools	2.40	2.20	2.29
Extended Year Special Education - Nonpublic Schools	0.10	0.10	0.10
Total TK/K through Third	2,878.34	2,878.03	2,880.84
Fourth through Sixth			
Regular ADA	2,319.13	2,319.95	2,316.71
Extended Year Special Education	4.14	4.14	4.14
Special Education - Nonpublic Schools	1.01	1.12	1.17
Extended Year Special Education - Nonpublic Schools	0.03	0.03	0.03
Total Fourth through Sixth	2,324.31	2,325.24	2,322.05
Seventh and Eighth			
Regular ADA	1,592.92	1,592.70	1,588.76
Extended Year Special Education	3.70	3.70	3.70
Special Education - Nonpublic Schools	3.54	3.56	3.67
Extended Year Special Education - Nonpublic Schools	0.38	0.38	0.38
Total Seventh and Eighth	1,600.54	1,600.34	1,596.51
Ninth through Twelfth			
Regular ADA	3,274.41	3,273.70	3,255.80
Extended Year Special Education	4.11	4.11	4.11
Special Education - Nonpublic Schools	9.75	9.63	9.80
Extended Year Special Education - Nonpublic Schools	1.01	1.01	1.01
Total Ninth through Twelfth	3,289.28	3,288.45	3,270.72
TOTAL SCHOOL DISTRICT	10,092.47	10,092.06	10,070.12

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

There were no audit findings which resulted in necessary revisions to attendance.

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
For Fiscal Year Ended June 30, 2019

Grades	Ed Code 46207 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	43,560	180	In Compliance
Grade 1	50,400	52,885	180	In Compliance
Grade 2	50,400	52,885	180	In Compliance
Grade 3	50,400	54,740	180	In Compliance
Grade 4	54,000	55,045	180	In Compliance
Grade 5	54,000	55,045	180	In Compliance
Grade 6	54,000	55,530	180	In Compliance
Grade 7	54,000	55,530	180	In Compliance
Grade 8	54,000	55,530	180	In Compliance
Grade 9	64,800	64,892	180	In Compliance
Grade 10	64,800	64,892	180	In Compliance
Grade 11	64,800	64,892	180	In Compliance
Grade 12	64,800	64,892	180	In Compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

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

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For Fiscal Year Ended June 30, 2019

	(Budget) 2020[1]	2019	2018	2017
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	$ 159,558,524	$ 160,878,644	$ 170,121,772	$ 151,639,294
Expenditures And Other Financing Uses	166,051,969	163,314,366	162,544,043	158,226,132
Net Change in Fund Balance	$ (6,493,445)	$ (2,435,722)	$ 7,577,729	$ (6,586,838)
Prior period adjustments	$ -	$ (8,861,132)	$ -	$ -
Ending Fund Balance	$ 21,008,013	$ 27,501,458	$ 38,798,312	$ 31,220,583
Available Reserves[2]	$ 5,047,523	$ 5,017,101	$ 7,464,493	$ 4,746,784
Available Reserves As A Percentage of Outgo[3]	3.04%	3.07%	4.59%	3.00%
Long-term Liabilities	$ 721,397,460	$ 750,514,361	$ 638,341,301	$ 613,829,709
Average Daily Attendance At P-2	9,783	10,092	10,303	10,476

The General Fund fund balance has decreased by $3,719,125 over the past two fiscal years. The fiscal year 2019-20 budget projects a decrease of $6,493,445. For a District this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three fiscal years and anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by $136,684,652 over the past two fiscal years.

Average daily attendance (ADA) has decreased by 384 over the past two fiscal years. A decrease of 309 ADA is anticipated during the 2019-20 fiscal year.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balance within 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.

See accompanying note to supplementary information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A			
Title I, Part A, Basic School Support	84.010	14329	$ 1,051,347
Adult Education			
Adult Education: Basic Education & ESL	84.002A	14508	38,071
Adult Education: Adult Secondary Education	84.002A	13978	7,700
Subtotal Adult Education			45,771
Title II, Part A, Teacher Quality	84.367	14341	180,292
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	102,168
Title III, Immigrant Education Program	84.365	15146	20,422
Subtotal Title III			122,590
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	4,472
Special Education Cluster **[1]**			
IDEA Basic Local Assistance Entitlement, Part B, Private School ISPs	84.027	10115	17,735
IDEA, Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	2,164,868
IDEA, Part B, Section 619, Preschool Grants	84.173	13430	58,889
Subtotal Special Education Cluster			2,241,492
IDEA, Part C, Early Education Programs Grant	84.181	23761	59,099
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131	84.048	14893	20,956
Total U. S. Department of Education			3,726,019
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster **[1]**			
School Breakfast Program Basic	10.553	13390	4,004
School Breakfast Program Needy	10.553	13526	175,820
National School Lunch Program	10.555	13396	905,553
Child Nutrition - Commodities	10.555	13396	178,689
Subtotal Child Nutrition Cluster			1,264,066
Child and Adult Food Programs	10.558	13393	201,140
Total U. S. Department of Agriculture			1,465,206
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medicaid			
Medi-Cal Billing Option	93.778	10013	149,861
Medi-Cal Administrative Activities	93.778	10060	551,747
Subtotal Medicaid			701,608
Passed through California Department of Education:			
Head Start **[2]**	93.600	10016	1,495,701
Head Start Training and Technical Review **[2]**	93.600	10016	653
Total U. S. Department of Health & Human Services			2,197,962
Total Federal Expenditures			$ 7,389,187

[1] - Major Program
[2] - In-Kind Contribution - $564,563

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SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUALS WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2019

	General Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
June 30, 2019, unaudited actual fund balances	$ 27,501,458	$ 733,854	$ 1,303,842	$ 380,819
June 30, 2019, audited financial statements fund balances	$ 27,501,458	$ 733,854	$ 1,303,842	$ 380,819

	Bond Interest and Redemption Fund
June 30, 2019, unaudited actual fund balances/net position	$ 45,193,024
June 30, 2019, audited financial statements fund balances/net position	$ 45,193,024

This schedule provides the information necessary to reconcile the fund balances/net position of all funds on the unaudited actual to the audited financial statements.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay
$ 760,019	$ 93,990,808	$ 3,282,409	$ 13,207,055
$ 760,019	$ 93,990,808	$ 3,282,409	$ 13,207,055

NOTE 1 – PURPOSE OF SCHEDULES

Organization Structure
This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels in different programs.

Schedule of Instructional Time
This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208.

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

Schedule of Expenditures of Federal Awards
The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Santa Monica-Malibu Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and, Changes in Fund Balance		$ 9,105,319
Build America Bonds	*	(1,716,132)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 7,389,187

** - CFDA Number not available or not applicable*

Reconciliation of Unaudited Actuals with Audited Financial Statements
This schedule provides information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Santa Monica-Malibu Unified School District (the "District"), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2018. Our report includes a reference to other auditors who audited the financial statements of the Santa Monica-Malibu Education Foundation, as described in our report on Santa Monica-Malibu Unified School District's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Santa Monica-Malibu Education Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that were reported to management of Santa Monica-Malibu Unified School District in a separate letter dated December 13, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 13, 2019

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited the Santa Monica-Malibu Unified School District's (the "District") compliance with the types of compliance requirements described in *2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the fiscal year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOL:	
Attendance	Yes
Teacher certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below

	Procedures Performed
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of choice	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditures of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-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 testing of independent study or continuation education because the average daily attendance claimed is below the materiality threshold required for testing. The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Unmodified Opinion on Compliance with State Programs

In our opinion, the District complied with the state law and regulations of the state programs referred to above in all material respects for the fiscal year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instance of noncompliance, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, which is described in the accompanying schedule of findings and questions costs as items 2019-001. Our opinion on state programs is not modified with respect to these matters.

District's Response to Finding

The District's response to the compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2019

The term "not applicable" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

MOSS, LEVY & HARTZHEIM LLP
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INDPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Santa Monica-Malibu Unified School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the fiscal year ended June 30, 2019.

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 13, 2019

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FINDINGS AND RECOMMENDATIONS SECTION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weaknesses identified	____	Yes	X	No
Significant deficiencies identified not considered to be material weaknesses	____	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)	____	Yes	X	No

Identification of major programs

CFDA Number (s)	Name of Federal Program/Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee:	____	Yes	X	No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting	X	Yes	____	No
Type of auditor's report issued on compliance for state programs:	Unmodified			

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs in 2018-19.

Section IV – State Award Findings and Questioned Costs

Finding 2019-001
Unduplicated local control funding formula pupil counts
40000

Criteria:
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 total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil count 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 followings:

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.

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

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

Questioned Costs:
$3,439. This amount was determined by using the California Department of Education's (CDE) audit penalty calculator.

Effect:
The District overstated 7 FRPM students.

	District's Enrollment Count	Certified Total Unduplicated Pupil Count	Unduplicated Count Adjustment Based on Eligibility for: FRPM	EL Funding	FRPM and EL	Adjusted Total Unduplicated Pupil Count	Adjusted District's Enrollment Count
Santa Monica Malibu Unified School District	32,463	9,170	(7)	0	0	9,163	32,463
Total	32,463	9,170	(7)	0	0	9,163	32,463

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

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.

Additionally, at the crux of this particular finding is the original application designation; the new Food Services Administrative Assistant will ensure that each form that is marked 'refused benefits' 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 'refused 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.

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

The responsible parties named by the District to ensure compliance is the Director of Food Services, Richard Marchini and the Director of Assessment, Research, & Evaluation, Sam Koshy.

Section II – Financial Statement Findings
There were no financial statement findings in the prior fiscal year.

Section III – Federal Award Findings and Questioned Costs

Finding 2018-001
The District did not have adequate internal controls to ensure compliance with time and effort requirements.
50000

CFDA Number and Title: 10.553 School Breakfast Program, 10.555 National School Lunch Program
Federal Grantor Name: U.S. Department of Agriculture
Federal Award/Contract Number: NA
Pass-through Entity Name: California Department of Education
Pass-through Award/Contract Number: 13390,13391, 13396
Compliance Requirement – Allowable Costs/Cost Principles
Questioned Cost Amount: $0

Description of the Condition
In fiscal year 2017-2018, the District spent $3,161,423 in its Child Nutrition program. Of the amount spent, Federal reimbursement was $1,052,559. Of the $3,161,423 total amount spent, $2,017,537 was used to pay salaries and benefits. We reviewed payroll transactions to determine whether the District retained adequate time and effort documentation for salaries and benefits charged to federal grants, as required by the granting agency. Depending on the number and type of activities an employee works on, documentation can be a semi-annual certification or monthly personnel activity report, such as a timesheet. Our audit found that the District did not design an effective process to monitor employees whose positions were funded with federal grant funds to ensure all required time and effort documentation were completed and retained. We consider this deficiency in internal controls to be a material weakness.

Cause of Condition
The Program Director position responsible for time and effort documents was not filled by the District until January 2018. The District cannot find the time and effort documentation to support time worked on the program.

Effect of Condition and Questioned Costs
Without proper time and effort documentation, federal grantors cannot be assured salaries and benefits charged to their programs are accurate and valid. The District's noncompliance with grant requirements can jeopardize future federal funding and may require it to return federal funds to the grantor. Our audit found that the District was unable to provide required time and effort documentation for all employees who were fully funded through this program. We verified that these employees worked entirely on the Nutrition program; therefore, we are not questioning costs.

Recommendation
We recommend the District improve its monitoring process to ensure all employees paid through federal grants submit required documentation to support time worked.

Current Status
Implemented.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2018-002
<u>The District did not have adequate internal controls to ensure compliance with eligibility requirements.</u>
50000

CFDA Number and Title: 10.553 School Breakfast Program, 10.555 National School Lunch Program
Federal Grantor Name: U.S. Department of Agriculture
Federal Award/Contract Number: NA
Pass-through Entity Name: California Department of Education
Pass-through Award/Contract Number: 13390,13391, 13396
Compliance Requirement – Eligibility
Questioned Cost Amount: $0

Description of the Condition
During our test of income verification, we noted 2 out of 10 verifications were incorrectly stated after the applicant submitted income verification. Students were not reported under the correct status.

Cause of Condition
The Program Director position was not filled by the District until January 2018. The District cannot find another personnel to verify the correct status.

Effect of Condition and Questioned Costs
District's aid received from students receiving free or reduced meals may not be correct. The questioned costs are less than $10,000.

Recommendation
We recommend the District establish procedures to ensure that when a change in application status occurs, lunch code within their software is changed in conjunction with this change.

Current Status
Implemented.

Section IV – State Award Findings and Questioned Costs
There were no state award findings in the prior fiscal year.

MOSS, LEVY & HARTZHEIM LLP
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Governing Board
Santa Monica-Malibu Unified School District
Santa Monica, California

In planning and performing our audit of the financial statements of Santa Monica-Malibu Unified School District as of and for the fiscal year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 13, 2019 on the government-wide financial statements of the District.

2018-2019 Observation and Recommendation

We recommend the District implement the following:

1. Evaluate projects on a comprehensive basis prior to issuing requests for proposals, qualifications, quotes, or services. The scope of work should not significantly change, otherwise a new request should be generated rather than issuing multiple change orders, which bypass the required detailed selection process.
2. All bids for future projects must be received at the District's office and not received by the consultant. Segregation of duties should be paramount.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 13, 2019

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF SANTA MONICA AND MALIBU, AND LOS ANGELES COUNTY

*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 Certificates 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 CERTIFICATES – Disclosure Relating to COVID-19" herein. See also references to COVID-19 in the section entitled "PROPERTY TAXATION", and in APPENDIX A 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 92,357. 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 11,720. 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 2016 through 2020

	2016	2017	2018	2019	2020
City of Santa Monica	92,773	92,995	92,790	92,480	92,357
City of Malibu	12,887	12,844	12,779	11,784	11,720
Los Angeles County	10,158,196	10,193,753	10,209,676	10,184,378	10,172,951
State of California	39,131,307	39,398,702	39,586,646	39,695,376	39,782,870

Source: California Department of Finance estimates.

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Employment and Industry

The seasonally adjusted unemployment rate in the County increased over the month to 20.9% in May 2020, from a revised 20.8% in April 2020, and was above the rate of 4.5 percent one year ago. Civilian employment decreased by 24,000 to 3,740,000 in May 2020, while unemployment remained unchanged at 989,000.. The civilian labor force decreased by 24,000 over the month to 4,729,000 in May 2020. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the County was 4.5% in January 2020.

The California seasonally adjusted unemployment rate was 16.3% in May 2020, 16.4% in April 2020, and 4.1% a year ago in May 2019. The comparable estimates for the nation were 13.3% in May 2020, 14.7% in April 2020, and 3.6% 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 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force	4,980,300	5,030,500	5,084,000	5,095,500	5,121,600
Employment	4,650,700	4,765,900	4,841,900	4,860,300	4,894,300
Unemployment	329,600	264,600	242,200	235,200	227,300
Unemployment Rate	6.6%	5.3%	4.8%	4.6%	4.4%
Wage and Salary Employment: (1)					
Agriculture	5,000	5,300	5,700	4,600	4,500
Mining and Logging	2,900	2,400	2,000	1,900	1,900
Construction	126,100	134,000	138,700	146,300	149,300
Manufacturing	368,200	360,800	349,000	341,200	339,200
Wholesale Trade	222,400	222,100	221,500	223,200	220,500
Retail Trade	422,200	424,600	426,100	424,800	417,300
Trans., Warehousing, Utilities	177,600	188,900	198,200	203,600	213,800
Information	207,600	229,400	214,900	216,400	217,300
Financial and Insurance	135,600	138,100	137,500	136,500	135,500
Real Estate, Rental & Leasing	80,000	81,700	84,100	86,700	88,400
Professional and Business Services	593,800	603,000	612,100	630,400	642,800
Educational and Health Services	745,900	772,700	800,600	821,300	843,600
Leisure and Hospitality	486,600	510,000	524,600	536,500	544,700
Other Services	151,000	153,300	155,700	158,800	158,400
Federal Government	47,400	47,700	48,000	47,300	47,400
State Government	87,400	89,900	92,500	91,700	92,500
Local Government	433,700	439,100	445,600	451,600	454,300
Total All Industries (2)	4,293,500	4,403,000	4,456,700	4,522,700	4,571,400

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) May not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of July 2020, in alphabetical order.

LOS ANGELES COUNTY
Largest Employers
July 2020

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Health Care Management
California State Univ NRTHRDG	Northridge	Schools-Universities & Colleges Academic
Cedar-Sinai Medical Ctr	West Hollywood	Hospitals
Commerce Casino-Crowne Plaza	Commerce	Hotels & Motels
Infineon Technologies Americas	El Segundo	Semiconductor Devices (mfrs)
JET Propulsion Laboratory	Pasadena	Research Service
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
La County Office of Education	Downey	Educational Service-Business
LAC & USC Medical Ctr	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	Government Offices-City/Village & Twp
Longshore Dispatch	Wilmington	Nonclassified Establishments
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Medical Ctr	Los Angeles	Pathologists
Los Angeles Police Dept	Los Angeles	Police Departments
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)
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Ca Los Angeles	Los Angeles	University-College Dept/Facility/Office
Vxi Global Solutions	Los Angeles	Call Centers
Walt Disney Co	Burbank	Water Parks

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 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 2019 in Santa Monica were reported to be $3,374,654,848, a 1.02% increase over the total taxable sales of $3,340,563,072 reported during calendar year 2018.

CITY OF SANTA MONICA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015[(1)]	3,512	$2,452,622	5,354	$3,236,937
2016	3,346	2,457,171	5,153	3,237,178
2017	3,279	2,391,704	5,088	3,225,239
2018	3,224	2,418,485	5,318	3,340,563
2019	3,313	2,341,912	5,531	3,374,655

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2019 in Malibu were reported to be $331,085,444 a 3.42% increase over the total taxable sales of $320,150,548 reported during calendar year 2018.

CITY OF MALIBU
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015[(1)]	567[(1)]	$267,734	881	$296,393
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

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2019 in the County were reported to be $171,776,327,181, a 3.46% increase over the total taxable sales of $166,023,795,826 reported during calendar year 2018.

LOS ANGELES COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015[1]	112,657[1]	$108,147,021	310,063	$151,033,781
2016	196,929	109,997,043	311,295	154,208,333
2017	197,452	113,280,347	313,226	159,259,356
2018	200,603	119,145,054	328,047	166,023,796
2019	206,732	122,137,664	342,359	171,776,327

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State 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 2016 through 2020.

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
2016	City of Santa Monica	$4,415,110	$62,387
	City of Malibu	811,003	96,159
	Los Angeles County	231,719,110	48,950
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Santa Monica	$4,708,891	$65,424
	City of Malibu	821,404	94,284
	Los Angeles County	243,502,324	50,236
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Santa Monica	$5,176,286	$73,156
	City of Malibu	864,163	97,042
	Los Angeles County	261,119,300	54,720
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Santa Monica	$5,445,678	$77,148
	City of Malibu	881,658	99,700
	Los Angeles County	271,483,825	56,831
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
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

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Construction Activity

Construction activity in Santa Monica, Malibu, and the County for the past five years for which data is available is shown in the following tables.

CITY OF SANTA MONICA
Total Building Permit Valuations
Calendar Years 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 LEGAL OPINION

[Letterhead of Jones Hall, A Professional Law Corporation]

December 3, 2020

Board of Education
Santa Monica-Malibu Unified School District
1651 16th Street
Santa Monica, California 90404

OPINION: $25,720,000 - 2020 Certificates of Participation (Property Acquisition and Refinancing Project) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Santa Monica-Malibu Unified School District, California as the Rental for Certain Property Under a Lease Agreement with the Public Property Financing Corporation of California

Members of the Board of Trustees:

We have acted as special counsel in connection with the delivery by the Santa Monica-Malibu Unified School District (the "District") of a Lease Agreement dated as of December 1, 2020 (the "Lease Agreement"), between the Public Property Financing Corporation of California, a joint powers agency organized and existing under the laws of the State of California (the "Corporation") as lessor and the District as lessee. Under a Trust Agreement dated as of December 1, 2020 (the "Trust Agreement"), among the District, the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), the Trustee has executed and delivered 2020 Certificates of Participation (Property Acquisition and Refinancing Project) in the aggregate principal amount of $25,720,000 (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the District under the Lease Agreement (the "Lease Payments"), which have been assigned by the Corporation to the Trustee under an Assignment Agreement dated as of December 1, 2020 (the "Assignment Agreement") between the Corporation and the Trustee.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Lease Agreement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is a unified district duly organized and validly existing under the Constitution and laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the District and constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made under the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates 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 Tax Code relating to the exclusion from gross income for federal income tax purposes of interest with respect to obligations such as the Certificates. 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 delivery of the Lease Agreement.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates 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 represented by the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement and the Trust Agreement 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

$25,720,000
2020 CERTIFICATES OF PARTICIPATION
(Property Acquisition and Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
to Public Property Financing Corporation of California

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is dated December 3, 2020 and is executed and delivered by the Santa Monica-Malibu Unified School District (the "**District**") in connection with the execution and delivery of the above-captioned captioned certificates of participation (the "**Certificates**"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2020 (the "**Trust Agreement**"), among the District, the Public Property Financing Corporation of California and U.S. Bank National Association as trustee for the Certificates (the "**Trustee**").

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 Certificates and in order to assist the Participating Underwriters 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 Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under 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 which currently ends on each June 30th.

"*Dissemination Agent*" means Isom Advisors, a Division of Urban Futures, Inc., any third-party dissemination appointed by the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District 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 Certificates.

"*Participating Underwriters*" means Raymond James & Associates, Inc., on behalf of itself and RBC Capital Markets, LLC, the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*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.

"*Trustee*" means U.S. Bank National Association, or any successor thereto.

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2021 with the report for the 2019-20 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; provided that the filing of the Official Statement with the MSRB will serve as the first Annual Report. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Trustee 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 under 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) To the extent not contained in the audited financial statements filed on or before the Annual Report Date, the following information shall be included in the Annual Report:

(i) the District's most recently adopted budget, or interim report showing budgeted figures, which is available at the time of filing the Annual Report;

(ii) average daily attendance in the District on an aggregate basis for the most recently completed fiscal year;

(iii) pension plan contributions of the District for the most recently completed fiscal year;

(iv) a summary of the outstanding principal amounts of short-term borrowings, lease obligations and other long-term borrowings of the District for the most recently completed fiscal year;

(v) assessed valuation of taxable properties in the District for the most recently completed fiscal year;

(vi) assessed valuation of properties of the top twenty taxpayers in the District for the most recently completed fiscal year;

(vii) property tax collection delinquencies for the District for the most recently completed fiscal year or if not available at the time of the filing of the Annual Report for the prior fiscal year, but only if such data is available from the County, and the County is not operating a Teeter Plan,

(viii) such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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. <u>Reporting of Significant Events</u>.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(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) Certificate 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, the notice of Listed Event described in subsection (a)(8) 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 Certificates under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a certificate 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 Lease Payments relating to the Certificates. 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 it 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 Certificates. If such termination occurs prior to the final maturity of the Certificates, 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. The initial Dissemination Agent shall be the Isom Advisors, A Division of

Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Trustee.

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 Certificates, 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 Certificates, 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 Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement 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 Certificates.

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 Certificates 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 Trust Agreement, 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 Certificate holders 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 Certificates.

(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 Certificates, and shall create no rights in any other person or entity.

Date: December 3, 2020

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

By: ____________________________________

Name:
Title:

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Santa Monica-Malibu Unified School District (the "District")
Name of Issue:	$25,720,000 Santa Monica-Malibu Unified School District 2020 Certificates of Participation (Property Acquisition and Refinancing Project)
Date of Issuance:	December 3, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates of Participation as required by the Continuing Disclosure Certificate executed by the District in connection with the execution and delivery of the Certificates captioned above. The District anticipates that the Annual Report will be filed by **_____________**.

Dated:____________

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

By: ______________________________
Its: ______________________________

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions 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 Certificates, (b) Certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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. The Depository Trust Company ("DTC") will act as securities depository for the securities (in this Appendix, the "Certificates"). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of each series of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

6. Prepayment notices will be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

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

8. Prepayment proceeds, distributions, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from 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 prepayment 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 Certificates 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, Certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificate 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 INVESTMENT REPORT

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KEITH KNOX
TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437, Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and propertytax.lacounty.gov

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

39 March 31, 2020

CELIA ZAVALA
EXECUTIVE OFFICER

March 17, 2020

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**DELEGATION OF AUTHORITY TO INVEST AND
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR
INVESTMENT POLICY
(ALL DISTRICTS) (3-VOTES)**

SUBJECT

Delegation of authority to invest and reinvest County funds and funds of other depositors in the County Treasury to the Treasurer, and adoption of the Treasurer and Tax Collector Investment Policy

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate the authority to the Treasurer to invest and reinvest County funds and funds of other depositors in the County Treasury.

2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions allow the Treasurer to continue to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. On March 19, 2019, pursuant to Government Code (GC) Section 27000.1, and subject to GC Section 53607, your Board delegated to the Treasurer the annual authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury. GC Section 27000.1 states that subsequent to your Board's delegation, the County treasurer shall thereafter assume full responsibility for those transactions until your Board either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in GC Section 53607. This action requests renewal of the annual delegation.

GC Section 53646 permits your Board to annually approve the Investment Policy. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. These objectives align with those in State law. Each year, my office reviews the Investment Policy to ensure that it aligns with any changes in the GC.

Based on our analysis, we do not recommend any changes to the body of the Investment Policy. However, we recommend an update to Attachment I-d, Minimum Credit Ratings – Commercial Paper. Pursuant to GC 53601(h), the Treasurer may only purchase commercial paper from issuers whose commercial paper has short-term credit ratings of at least "A-1" or its equivalent, and whose other debt instruments, if any, have long-term credit ratings of at least "A" or its equivalent, by a Nationally Recognized Statistical Rating Organization.

We recommend assigning the standing commercial paper maximum issuer limit of $1.5 billion to all issuers who meet the minimum credit rating criteria set forth in the GC. The commercial paper maximum issuer limit remains at $1.5 billion, which is well below the 10% portfolio limit established by GC 53601. This recommended change offers more flexibility in purchasing commercial paper while retaining the investment parameters set forth in the GC.

We have also provided the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings in Attachment II.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

FISCAL IMPACT/FINANCING

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to GC Section 27000.1, your Board may delegate by ordinance the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer. On January 23, 1996, your Board adopted Ordinance 96-0007 adding Los Angeles County Code Section 2.52.025, which delegated such authority to the Treasurer, subject to annual renewal pursuant to GC Section 53607. GC 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This GC Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

Respectfully submitted,

KEITH KNOX
Treasurer and Tax Collector

KK:NI:DJJ:JK:bp

Enclosures

c: Chief Executive Officer
Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Los Angeles County Office of Education
Los Angeles Community College District

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed $500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, and III (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 2.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 36 months’ average total cash and investments, after adjustments, as indicated in Attachment II.

Business Continuity Plan

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread disaster. The BCP includes written guidelines to perform critical Treasury functions, contact information for key personnel, authorized bank representatives and broker/dealers. The plan provides for an offsite location in the event the Treasurer's offices are uninhabitable. The Treasurer's Office implemented its BCP in 2007.

The Treasurer's Office shall perform regularly scheduled BCP exercises at the offsite location. To prepare Treasury staff for emergency processing, staff shall participate in the BCP exercises on a rotating basis.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is <u>not</u> required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or his authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.

- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealers Section

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealers with minimum capitalization of $500 million and who meet all five of the below listed criteria:

   1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

   2. Be a member of the Financial Industry Regulatory Authority and;

   3. Be registered with the Securities and Exchange Commission and;

   4. Have been in operation for more than five years; and

5. Have a minimum annual trading volume of $100 billion in money market instruments or $500 billion in United States (U.S.) Treasuries and Agencies.

B. Emerging firms that meet all of the following:

1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

2. Maintain office(s) in California and;

3. Maintain a minimum capitalization of $250,000 and, at the time of application, have a maximum capitalization of no more than $10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

A. Confirmation of daily trade transactions and all open trades in effect at month-end.

B. Response to auditor requests for confirmation of investment transactions.

C. Response to the Internal Controls Branch requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding $100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the U.S. Government, its agencies and instrumentalities

1. Maximum maturity: None.

2. Maximum total par value: None.

3. Maximum par value per issuer: None.

4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment III)

1. Maximum maturity: As limited in Attachment III.

2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.

2. Maximum total par value: 20% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

4. All Asset-Backed securities must be rated in a rating category of “AA” or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of “A” or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

D. Bankers’ Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. The aggregate total of Bankers’ Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders’ equity of depository bank.

   b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Must be issued by:

   a) National or State-chartered bank, or

   b) Savings association or Federal association, or

   c) Federal or State credit union, or

   d) Federally licensed or State-licensed branch of a foreign bank.

5. Euro CD's:

   a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

   b) Maximum total par value: 10% of the PSI portfolio.

   c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

   d) Limited to London branch of National or State-chartered banks.

6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Notes MUST be issued by:

    a) Corporations organized and operating within the U.S.

    b) Depository institutions licensed by the U.S or any State and operating within the U.S.

5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.

5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:

    a) Specific basis for the benchmark rate.

    b) Specific computation for the benchmark rate.

    c) Specific reset period.

d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer’s current credit rating.

4. Credit: Issuing Corporation - Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

   a) The entity meets the following criteria:

      1) Is organized and operating in the U.S. as a general corporation.

      2) Has total assets in excess of $500 million.

      3) Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by a NRSRO.

   b) The entity meets the following criteria:

      1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.

      2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

      3) Has commercial paper that is rated “A-1”or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by

diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

a) Attained the highest possible rating by not less than two NRSROs.

b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars ($500,000,000).

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.

3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

b) The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

c) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

J. Repurchase Agreement

1. Maximum maturity: 30 days.

2. Maximum total par value: $1 billion.

3. Maximum par value per dealer: $500 million.

4. Agreements must be in accordance with approved written master repurchase agreement.

5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.

2. Maximum total par value: $500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Maximum par value per broker: $250 million.

4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.

6. Agreements must be in accordance with approved written master repurchase agreement.

7. Securities eligible to be sold with a simultaneous agreement to repurchase

SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.

11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.

2. Maximum aggregate par value: $100 million.

3. Maximum par value per counterparty: $50 million. Counterparties for Forward

and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated “A” or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.

5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed $100,000 for each occurrence or exceed a total of $250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.

6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.

7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.

8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating.

Further, the counterparty to such an agreement SHALL be rated “A” or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated “A” or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.

2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

4. Agreements SHALL only be made for the purpose of enhancing investment revenue.

5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

O. Supranationals

Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of “AA” or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer’s current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer’s current credit rating.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P	Moody's	Fitch	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$750MM
		A-1/AA	P-1/Aa	F1/AA	$600MM
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

(1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).

(2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Investment Type	Maximum Maturity	Issuer Rating (1)			Investment Limit
		S&P	Moody's	Fitch	
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$600MM
		A-1/AA	P-1/Aa	F1/AA	$450MM
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes,Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (2)	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days

Notes:

(1) All issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).

(2) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-c.

MINIMUM CREDIT RATING
SUPRANATIONAL ISSUERS

Issuer Rating (1)			Investment Limit (2)
S&P	**Moody's**	**Fitch**	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

Notes:
(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).
(2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT I-d.

MINIMUM CREDIT RATING
COMMERCIAL PAPER

Maximum Maturity	**Issuer Rating (1) (2)**			**Investment Limit (3)**
	S&P	**Moody's**	**Fitch**	
270 days	A-1	P-1	F1	$1.5 Billion

Notes:
(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).
(2) If an issuer has a long-term rating, it must be rated in a rating category of "A" or its equivalent or higher.
(3) Maximum combined par value for all issuers is limited to 40% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT II

LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual $)

Average Investment Balance and Available Cash (1)	$30,486,126,816
Less:	
▪ 50% of Discretionary Deposits (1)	($1,231,644,816.98)
Average Available Balance	$29,954,481,999
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	$21,940,861,499
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	$7,313,620,500
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	$14,627,241,000

(1) 36 Month Average from January 2017 to December 2019.
(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s) or “A-” (S&P or Fitch). The maximum maturity is limited to 30 years.

2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s rating of “MIG-1” or “A2” or a minimum S&P rating of “SP-1” or “A.” Maximum maturity limited to five years.

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of September 30, 2020, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$12.927
Schools and Community Colleges	15.832
Discretionary Participants	3.594
Total	$32.353

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	88.89%
Discretionary Participants:	
Independent Public Agencies	10.70%
County Bond Proceeds and Repayment Funds	0.41%
Total	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 31, 2020, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated October 30, 2020, the September 30, 2020, book value of the Treasury Pool was approximately $32.353 billion, and the corresponding market value was approximately $32.421 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2020:

Type of Investment	**% of Pool**
Certificates of Deposit	8.19
U.S. Government and Agency Obligations	61.17
Bankers Acceptances	0.00
Commercial Paper	30.23
Municipal Obligations	0.09
Corporate Notes & Deposit Notes	0.32
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of September 30, 2020, approximately 48% of the investments mature within 60 days, with an average of 688 days to maturity for the entire portfolio.

2020 CERTIFICATES OF PARTICIPATION (Property Acquisition and Refinancing Project) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT to Public Property Financing Corporation of California

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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