NEW ISSUE—BOOK-ENTRY ONLY **Rating: Moody's: "Aa3"**
(See "MISCELLANEOUS — Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See "TAX MATTERS" herein.

$15,000,000
SANTA MARIA-BONITA SCHOOL DISTRICT
(COUNTY OF SANTA BARBARA AND COUNTY OF SAN LUIS OBISPO, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2014, SERIES 2019

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Santa Maria-Bonita School District (County of Santa Barbara and County of San Luis Obispo, California) General Obligation Bonds, Election of 2014, Series 2019 (the "Series 2019 Bonds") are issued by the Santa Maria-Bonita School District (the "District"), located in the County of Santa Barbara ("Santa Barbara County") and the County of San Luis Obispo ("San Luis Obispo County" and together with Santa Barbara County, the "Counties"), to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) pay costs of delivery with respect to the Series 2019 Bonds. The Series 2019 Bonds were authorized at an election of the voters of the District held on November 4, 2014, at which at least 55% of the voters authorized the issuance and sale of $45 million aggregate principal amount of bonds of the District. The Series 2019 Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Education of the District, adopted on March 13, 2019.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of Santa Barbara County and the Board of Supervisors of San Luis Obispo County are empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2019 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" herein.

The Series 2019 Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Series 2019 Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2019. Principal of the Series 2019 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2019 Bonds will be issued in denominations of $5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

The Series 2019 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2019 Bonds. Individual purchases of the Series 2019 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2019 Bonds purchased by them. See "THE SERIES 2019 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2019 Bonds will be made by U.S. Bank National Association, as paying agent, registrar and transfer agent with respect to the Series 2019 Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2019 Bonds. See "THE SERIES 2019 BONDS – Payment of Principal and Interest" herein.

The Series 2019 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2019 BONDS — Redemption" herein.

The Series 2019 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Price, Postel & Parma LLP, Cameron Park, California; by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California. It is anticipated that the Series 2019 Bonds, in definitive form, will be available for delivery through the facilities of DTC, on or about April 25, 2019.

RAYMOND JAMES

Dated: April 11, 2019.

MATURITY SCHEDULE

BASE CUSIP†: 802250

$15,000,000
SANTA MARIA-BONITA SCHOOL DISTRICT
(COUNTY OF SANTA BARBARA AND COUNTY OF SAN LUIS OBISPO, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2014, SERIES 2019

$10,495,000 Serial Series 2019 Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2020	$575,000	4.00%	1.38%	AV2
2021	685,000	4.00	1.40	AW0
2022	175,000	4.00	1.43	AX8
2023	170,000	4.00	1.46	AY6
2024	195,000	4.00	1.51	AZ3
2025	225,000	4.00	1.58	BA7
2026	255,000	4.00	1.61	BB5
2027	285,000	5.00	1.67	BC3
2028	325,000	5.00	1.76C	BD1
2029	365,000	5.00	1.88C	BE9
2030	405,000	5.00	2.03C	BF6
2031	455,000	5.00	2.12C	BG4
2032	500,000	4.00	2.47C	BH2
2033	545,000	4.00	2.55C	BJ8
2034	595,000	4.00	2.65C	BK5
2035	645,000	4.00	2.75C	BL3
2036	700,000	4.00	2.84C	BM1
2037	755,000	4.00	2.92C	BN9
2038	815,000	4.00	2.98C	BP4
2039	880,000	4.00	3.03C	BQ2
2040	945,000	4.00	3.11C	BS8

$2,100,000 4.00% Term Series 2019 Bonds due August 1, 2042 – Yield 3.19%C CUSIP Number† BT6

$2,405,000 4.00% Term Series 2019 Bonds due August 1, 2044 – Yield 3.22%C CUSIP Number† BR0

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C Yield to call at par on August 1, 2027.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)

BOARD OF EDUCATION

Vedamarie Alvarez-Flores, *President*
John Hollinshead, *Vice President*
Linda Cordero, *Clerk*
JoAnn "Jody" Oliver, *Member*
Ricky Lara, *Member*

DISTRICT ADMINISTRATORS

Luke Ontiveros, *Superintendent*
Matthew Beecher, *Assistant Superintendent for Business Services*
Patty Grady, Ed.D., *Assistant Superintendent for Human Resources*[*]
Mark Muller, *Assistant Superintendent for Instructional Services*

PROFESSIONAL SERVICES

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

District Counsel

Price, Postel & Parma LLP
Cameron Park, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
Los Angles, California

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[*] Patty Grady will be retiring from the District effective June 30, 2019.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2019 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2019 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2019 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 Series 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "intend" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2019 Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2019 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2019 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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$15,000,000
SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
General Obligation Bonds,
Election of 2014, Series 2019

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page, and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2019 Bonds (as defined herein) to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $15,000,000 aggregate principal amount of Santa Maria-Bonita School District (County of Santa Barbara and County of San Luis Obispo, California) General Obligation Bonds, Election of 2014, Series 2019 (the "Series 2019 Bonds"), all as indicated on the inside front cover hereof, to be offered by the Santa Maria-Bonita School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds, the resolution of the Board of Education of the District providing for the issuance of the Series 2019 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2019 Bonds.

Copies of documents referred to herein and information concerning the Series 2019 Bonds are available from the District by contacting: Santa Maria-Bonita School District, 708 South Miller Street, Santa Maria, California 93454-6230, Attention: Assistant Superintendent for Business Services. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District is located along California's Central Coast, approximately halfway between San Francisco and Los Angeles. The District operates primarily in the County of Santa Barbara ("Santa Barbara County"), but also serves the County of San Luis Obispo ("San Luis Obispo County" and, together with Santa Barbara County, the "Counties"). The District was formed on July 1, 1988 from the merger of the Santa Maria Elementary School District and the Bonita School District. The District provides public education within an approximately 48.2 square mile area, serving the City of Santa Maria and neighboring communities. The District operates 20 schools, including 16 elementary schools and four junior high schools. The District's enrollment was 17,122 for fiscal year 2017-18 and is 16,939 for fiscal year 2018-19. The District operates under the jurisdiction of the Santa Barbara County Superintendent of Schools.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

THE SERIES 2019 BONDS

Authority for Issuance; Purpose

The Series 2019 Bonds are issued under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on March 13, 2019.

At an election held on November 4, 2014, the District received authorization under Measure T to issue bonds of the District in an aggregate principal amount not to exceed $45,000,000 to repair and replace leaky roofs, plumbing, electrical systems, lighting systems and ventilation, to upgrade science labs and education technology, to improve safety and security, to construct school facilities to relieve overcrowding, and to acquire, construct, equip and renovate sites and facilities (collectively, the "Authorization"). Measure T required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 62.09%. The Series 2019 Bonds represent the second and final series of authorized bonds to be issued under the Authorization and will be issued to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) pay costs of delivery with respect to the Series 2019 Bonds. See "– Application and Investment of Series 2019 Bond Proceeds" herein.

Form and Registration

The Series 2019 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2019 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2019 Bonds. Purchases of Series 2019 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2019 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2019 Bonds, beneficial owners of the Series 2019 Bonds ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series 2019 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2019, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2019 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2019 Bond, interest is in default on any outstanding Series 2019 Bonds, such Series 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series 2019 Bonds.

Payment of Series 2019 Bonds. The principal of the Series 2019 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of U.S. Bank National Association, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Series 2019 Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Series 2019 Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2019 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series 2019 Bonds maturing on or before August 1, 2027, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2019 Bonds maturing on or after August 1, 2028, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2027, at a redemption price equal to the principal amount of the Series 2019 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $2,100,000 term Series 2019 Bonds maturing on August 1, 2042, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2041	$1,015,000
2042†	1,085,000

† Maturity.

The principal amount of the $2,100,000 term Series 2019 Bonds maturing on August 1, 2042, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2019 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $2,405,000 term Series 2019 Bonds maturing on August 1, 2044, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2043	$1,160,000
2044†	1,245,000

† Maturity.

The principal amount of the $2,405,000 term Series 2019 Bonds maturing on August 1, 2044, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2019 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2019 Bonds for Redemption. If less than all of the Series 2019 Bonds are called for redemption, the Series 2019 Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2019 Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series 2019 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2019 Bond shall be deemed to consist of individual Series 2019 Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2019 Bond will be given by the Paying Agent not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to Santa Barbara County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2019 Bonds. See APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2019 Bonds and the date of issue of the Series 2019 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2019 Bonds to be redeemed; (vi) if less than all of the Series 2019 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2019 Bonds of each maturity to be redeemed; (vii) in the case of Series 2019 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2019 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2019 Bonds to be redeemed; (ix) a statement that such Series 2019 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2019 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2019 Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2019 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2019 Bonds called for redemption is set aside, the Series 2019 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2019 Bonds at the place specified in the notice of redemption, such Series 2019 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2019 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2019 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the Santa Barbara County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2019 Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2019 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2019 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2019 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series 2019 Bonds

The District may pay and discharge any or all of the Series 2019 Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2019 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series 2019 Bonds and remaining unclaimed for two years after the principal of such Series 2019 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys is required to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2019 Bond Proceeds

The proceeds of the Series 2019 Bonds are expected to be applied as follows:

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
General Obligation Bonds, Election of 2014, Series 2019

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series 2019 Bonds	$15,000,000.00
Plus Original Issue Premium	1,413,281.30
Total Sources of Funds	$16,413,281.30
Uses of Funds:	
Deposit to Building Fund	$14,780,000.00
Deposit to Interest and Sinking Fund(1)	1,413,281.30
Costs of Issuance(2)	220,000.00
Total Uses of Funds	$16,413,281.30

(1) Consists of premium received by the District.
(2) Includes legal fees, municipal advisor fees, rating agency fees, Underwriter's discount, printing fees, and other miscellaneous expenses. See also "MISCELLANEOUS – Underwriting."

Under California law, all money received by or apportioned to a school district must generally be paid into and held in the county treasury. The proceeds from the sale of the Series 2019 Bonds less amounts necessary to pay costs of issuance will be deposited in the Santa Barbara County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and Santa Barbara County funds. Such proceeds shall be applied solely for the purposes for which the Series 2019 Bonds were authorized. Any premium or accrued interest on the Series 2019 Bonds received by the District will be deposited in the Interest and Sinking Fund of the District in the Santa Barbara County treasury. Interest and earnings on each fund will accrue to that fund. All funds held by the Santa Barbara County Treasurer-Tax Collector (the "Santa Barbara County Treasurer") in the Building Fund and the Interest and Sinking Fund of the District are expected to be invested at the sole discretion of the Santa Barbara County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of Santa Barbara County, as either may be amended or supplemented from time to time. See APPENDIX E – "COUNTY OF SANTA BARBARA INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL" for a description of the permitted investments under the investment policy of Santa Barbara County. In addition, to the extent permitted by law and the investment policy of Santa Barbara County, the District may request in writing that all or any portion of the funds held in the Building Fund of the District may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series 2019 Bonds. The Santa Barbara

County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Debt service on the Series 2019 Bonds, assuming no early redemptions, is as set forth in the following table.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
General Obligation Bonds, Election of 2014, Series 2019

Year Ending August 1,	Principal	Interest	Total Debt Service
2019	-	$ 164,893.33	$ 164,893.33
2020	$ 575,000.00	618,350.00	1,193,350.00
2021	685,000.00	595,350.00	1,280,350.00
2022	175,000.00	567,950.00	742,950.00
2023	170,000.00	560,950.00	730,950.00
2024	195,000.00	554,150.00	749,150.00
2025	225,000.00	546,350.00	771,350.00
2026	255,000.00	537,350.00	792,350.00
2027	285,000.00	527,150.00	812,150.00
2028	325,000.00	512,900.00	837,900.00
2029	365,000.00	496,650.00	861,650.00
2030	405,000.00	478,400.00	883,400.00
2031	455,000.00	458,150.00	913,150.00
2032	500,000.00	435,400.00	935,400.00
2033	545,000.00	415,400.00	960,400.00
2034	595,000.00	393,600.00	988,600.00
2035	645,000.00	369,800.00	1,014,800.00
2036	700,000.00	344,000.00	1,044,000.00
2037	755,000.00	316,000.00	1,071,000.00
2038	815,000.00	285,800.00	1,100,800.00
2039	880,000.00	253,200.00	1,133,200.00
2040	945,000.00	218,000.00	1,163,000.00
2041	1,015,000.00	180,200.00	1,195,200.00
2042	1,085,000.00	139,600.00	1,224,600.00
2043	1,160,000.00	96,200.00	1,256,200.00
2044	1,245,000.00	49,800.00	1,294,800.00
Total:	$15,000,000.00	$10,115,593.33	$25,115,593.33

Outstanding Bonds

In addition to the Series 2019 Bonds, the District has one outstanding series of general obligation bonds which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Series 2019 Bonds.

On April 22, 2015, the District issued its General Obligation Bonds, Election of 2014, Series 2015, in the aggregate principal amount of $30,000,000 (the "Series 2015 Bonds") as the District's first series of bonds to be issued under the Authorization. The Series 2015 Bonds were issued to finance specific construction, repair and improvement projects approved by the voters of the District under the Authorization.

Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding bonds of the District, assuming no early redemptions.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
General Obligation Bonds – Aggregate Debt Service

Year Ending August 1,	Series 2015 Bonds	Series 2019 Bonds	Aggregate Debt Service
2019	$ 1,282,656.26	$ 164,893.33	$ 1,447,549.59
2020	1,282,656.26	1,193,350.00	2,476,006.26
2021	1,327,656.26	1,280,350.00	2,608,006.26
2022	1,381,756.26	742,950.00	2,124,706.26
2023	1,432,756.26	730,950.00	2,163,706.26
2024	1,490,006.26	749,150.00	2,239,156.26
2025	1,554,006.26	771,350.00	2,325,356.26
2026	1,614,256.26	792,350.00	2,406,606.26
2027	1,680,756.26	812,150.00	2,492,906.26
2028	1,748,006.26	837,900.00	2,585,906.26
2029	1,815,756.26	861,650.00	2,677,406.26
2030	1,888,756.26	883,400.00	2,772,156.26
2031	1,961,506.26	913,150.00	2,874,656.26
2032	2,043,756.26	935,400.00	2,979,156.26
2033	2,124,756.26	960,400.00	3,085,156.26
2034	2,209,256.26	988,600.00	3,197,856.26
2035	2,296,756.26	1,014,800.00	3,311,556.26
2036	2,389,506.26	1,044,000.00	3,433,506.26
2037	2,482,506.26	1,071,000.00	3,553,506.26
2038	2,582,006.26	1,100,800.00	3,682,806.26
2039	2,687,256.26	1,133,200.00	3,820,456.26
2040	2,792,506.26	1,163,000.00	3,955,506.26
2041	2,904,850.00	1,195,200.00	4,100,050.00
2042	3,025,200.00	1,224,600.00	4,249,800.00
2043	3,143,018.76	1,256,200.00	4,399,218.76
2044	3,268,131.26	1,294,800.00	4,562,931.26
Total:	$54,410,037.74	$25,115,593.33	$79,525,631.07

Source: Raymond James & Associates, Inc.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2019 Bonds, the Board of Supervisors of Santa Barbara County and the Board of Supervisors of San Luis Obispo County are empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District.

In the case of a school district, like the District, lying in two or more counties, the assessor of each of the counties in which the district lies, must annually certify to the board of supervisors of each of the counties in which any portion of the school district is situated the assessed value of all taxable property in the county situated in the school district. Each board of supervisors must levy upon the property of the school district within its own county the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of the bonds that is to become due during the year when combined with the taxes raised by all other counties in which a portion of the district lies. Accordingly, each of the Board of Supervisors of Santa Barbara County and the Board of Supervisors of San Luis Obispo County must levy upon the property of the District within its own county the rate of tax that will be sufficient to provide sufficient funds for repayment of principal and interest when due on the Series 2019 Bonds. When collected, the tax revenues will be deposited by both counties in the Interest and Sinking Fund of the District, which is required to be maintained by Santa Barbara County, as the county whose superintendent of schools has jurisdiction over the District, and to be used solely for the payment of bonds of the District. Moneys in the Interest and Sinking Fund of the District will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq*. or Section 53635 *et seq*. of the California Government Code by the Santa Barbara County Treasurer, and consistent with the investment policy of Santa Barbara County. See "THE SERIES 2019 BONDS – Application and Investment of Series 2019 Bond Proceeds" and APPENDIX E − "COUNTY OF SANTA BARBARA INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL."

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of Santa Barbara County or San Luis Obispo County. No fund of such Counties is pledged or obligated to repayment of the Series 2019 Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of Santa Barbara County and the Board of Supervisors of San Luis Obispo County for the payment of all bonds, including the Series 2019 Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund of the District shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund of the District to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year calculated by each county, the county auditor-controller, the superintendent of schools of which has jurisdiction over the school district, computes the rate of tax necessary to pay such debt service in all counties wherein such school district is located, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the respective county) to the respective county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. Both the county auditor-controller and the county treasurer-tax collector of the county, the superintendent of schools of which has jurisdiction over the school district, have accounting responsibilities related to the collecting of the property taxes. Once collected, the county auditor-controller apportions and distributes the taxes to the various taxing entities and related funds and accounts. The county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due, as *ex officio* treasurer of the school district.

Assessed Valuation of Property Within the District

Taxable property located in the District has a fiscal year 2018-19 assessed value of $8,804,838,406. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See "*−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the applicable county. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the applicable county. The District is unable to predict future transfers of State-assessed property in the District and the applicable county, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The following tables set forth the assessed valuation of the various classes of property in the District's boundaries (in Santa Barbara County and in San Luis Obispo County) from fiscal year 2005-06 through 2018-19, as of the date the equalized assessment roll is established in each such fiscal year.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Assessed Valuations
Fiscal Years 2005-06 through 2018-19

Santa Barbara County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2005-06	$5,161,814,897	$2,912,979	$370,283,127	$5,535,011,003
2006-07	5,904,564,195	3,944,233	375,024,460	6,283,532,888
2007-08	6,322,495,676	2,947,280	401,756,576	6,727,199,532
2008-09	6,224,610,488	2,577,010	420,711,949	6,647,899,447
2009-10	5,888,416,561	2,577,010	443,776,398	6,334,769,969
2010-11	5,815,896,166	2,577,010	454,578,718	6,273,051,894
2011-12	5,893,389,189	0	459,437,142	6,352,826,331
2012-13	5,957,735,743	0	480,782,369	6,438,518,112
2013-14	6,091,552,004	0	471,702,318	6,563,254,322
2014-15	6,396,112,810	0	485,979,554	6,882,092,364
2015-16	6,751,995,861	0	544,639,515	7,296,635,376
2016-17	7,112,748,449	0	594,039,662	7,706,788,111
2017-18	7,641,261,795	0	633,682,072	8,274,943,867
2018-19	8,152,192,169	0	652,269,144	8,804,461,313

Santa Luis Obispo County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2005-06	$223,389	$0	$0	$223,389
2006-07	227,683	0	0	227,683
2007-08	238,500	0	0	238,500
2008-09	415,768	0	0	415,768
2009-10	387,097	0	0	387,097
2010-11	386,764	0	0	386,764
2011-12	387,818	0	0	387,818
2012-13	390,640	0	0	390,640
2013-14	343,718	0	0	343,718
2014-15	344,531	0	0	344,531
2015-16	348,129	0	0	348,129
2016-17	350,930	0	0	350,930
2017-18	373,978	0	0	373,978
2018-19	377,093	0	0	377,093

Source: California Municipal Statistics

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* below. In recent years, there have been fires in both Santa Barbara County and San Luis Obispo County and flooding resulting in mudslides in Santa Barbara County. There was no damage or destruction caused to property within the District's boundaries as a result of such disasters, and no property of the District's was damaged or destroyed as a result of such disasters.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable 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. This measure is computed on a calendar year basis. According to representatives of the assessor's office of Santa Barbara County and San Luis Obispo County, such Counties have in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by each respective county.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT

REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2018-19 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $110.06 million and its net bonding capacity is approximately $80.06 million (taking into account current outstanding debt before issuance of the Series 2019 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries that reside in the City of Santa Maria and unincorporated portions of the Counties for fiscal year 2018-19.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Santa Maria	$8,306,177,580	94.34%	$ 8,872,067,311	93.62%
Unincorporated Santa Barbara County	498,283,733	5.66	37,816,710,166	1.32
Unincorporated San Luis Obispo County	377,093	0.00	25,261,656,169	0.00
Total District	$8,804,838,406	100.00%		
Summary by County:				
Total Santa Barbara County	$8,804,461,313	100.00%	$82,868,059,992	10.62%
Total San Luis Obispo County	377,093	0.00	53,669,914,101	0.00
Total District	$8,804,838,406	100.00%		

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2018-19 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
2018-19 Assessed Valuation and Parcels by Land Use

	Assessed Valuation		No. of Parcels	
	2018-19 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 272,290,042	3.34%	258	1.08%
Commercial/Office	1,362,398,561	16.71	1,028	4.31
Vacant Commercial	87,629,594	1.07	132	0.55
Industrial	871,324,447	10.69	489	2.05
Vacant Industrial	45,460,916	0.56	154	0.65
Recreational	12,109,079	0.15	46	0.19
Government/Social/Institutional	98,897,555	1.21	142	0.60
Miscellaneous	17,850,435	0.22	255	1.07
Subtotal Non-Residential	$2,767,960,629	33.95%	2,504	10.50%
Residential:				
Single Family Residence	$4,152,850,653	50.94%	16,415	68.86%
Condominium/Townhouse	276,540,651	3.39	1,496	6.28
Mobile Home	42,109,222	0.52	1,835	7.70
Mobile Home Park	38,831,989	0.48	12	0.05
Hotel/Motel	118,208,493	1.45	42	0.18
2-4 Residential Units	238,787,779	2.93	850	3.57
5+ Residential Units/Apartments	489,150,962	6.00	269	1.13
Vacant Residential	28,128,884	0.35	415	1.74
Subtotal Residential	$5,384,608,633	66.05%	21,334	89.50%
TOTAL	$8,152,569,262	100.00%	23,838	100.00%

[1] Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2018-19.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
2018-19 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	16,415	$4,152,850,653	$252,991	$246,714

2018-19 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	33	0.201%	0.201%	$ 526,762	0.013%	0.013%
$25,000 - $49,999	358	2.181	2.382	15,629,724	0.376	0.389
$50,000 - $74,999	918	5.592	7.974	55,252,717	1.330	1.720
$75,000 - $99,999	408	2.486	10.460	35,323,624	0.851	2.570
$100,000 - $124,999	508	3.095	13.555	57,851,857	1.393	3.963
$125,000 - $149,999	820	4.995	18.550	113,116,155	2.724	6.687
$150,000 - $174,999	1,244	7.578	26.129	202,273,435	4.871	11.558
$175,000 - $199,999	1,453	8.852	34.980	272,048,780	6.551	18.109
$200,000 - $224,999	1,323	8.060	43.040	280,643,910	6.758	24.866
$225,000 - $249,999	1,333	8.121	51.161	316,347,838	7.618	32.484
$250,000 - $274,999	1,267	7.719	58.879	332,723,030	8.012	40.496
$275,000 - $299,999	1,225	7.463	66.342	352,330,509	8.484	48.980
$300,000 - $324,999	1,109	6.756	73.098	346,409,501	8.341	57.322
$325,000 - $349,999	1,057	6.439	79.537	356,387,675	8.582	65.903
$350,000 - $374,999	927	5.647	85.184	335,218,440	8.072	73.975
$375,000 - $399,999	689	4.197	89.382	266,489,755	6.417	80.392
$400,000 - $424,999	604	3.680	93.061	248,480,260	5.983	86.376
$425,000 - $449,999	362	2.205	95.267	158,103,314	3.807	90.183
$450,000 - $474,999	260	1.584	96.850	119,866,322	2.886	93.069
$475,000 - $499,999	188	1.145	97.996	91,389,332	2.201	95.270
$500,000 and greater	329	2.004	100.000	196,437,713	4.730	100.000
Total	16,415	100.000%		$4,152,850,653	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Largest 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Windset Farms California Inc.	Nurseries/Greenhouses	$234,951,645	2.88%
2.	Okonite Company Inc.	Light Industrial	107,303,019	1.32
3.	KW Bradley Square LLC	Apartments	50,056,505	0.61
4.	Santa Maria Land Partners LLC	Apartments	47,287,165	0.58
5.	HT Partners LP	Apartments	42,441,982	0.52
6.	Dario L. Pini	Apartments	42,003,245	0.52
7.	333 East Enos Drive Owner LLC	Apartments	37,786,000	0.46
8.	Costco Wholesale Corporation	Commercial	36,504,800	0.45
9.	MGP 50 LLC	Assisted Living Facility	36,235,564	0.44
10.	Siena at Westgate LP	Apartments	32,248,408	0.40
11.	Bettervia Investments LLC	Food Processing	30,565,527	0.37
12.	Broadway Pavilion Station LLC	Shopping Center	29,828,120	0.37
13.	ERGS XIV REO Owner LLC	Shopping Center	29,103,942	0.36
14.	Lineage Master RE 3 LLC	Food Processing	25,806,674	0.32
15.	The Pictsweet Company	Food Processing	24,196,250	0.30
16.	OSR/PIM Cooler Partners LLC	Agricultural	22,201,024	0.27
17.	iStorage PO LLC	Industrial	21,834,400	0.27
18.	Yipsm Owner LLC	Hotel	21,384,640	0.26
19.	Lyon Santa Maria LLC	Apartments	21,089,512	0.26
20.	Wal-Mart Real Estate Business Trust	Commercial	19,900,716	0.24
			$912,729,138	11.20%

[1] 2018-19 Local Secured Assessed Valuation: $8,152,569,262
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "*−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series 2019 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2019 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2019 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 3-000). This Tax Rate Area comprises approximately 60.11% of the total assessed value of the District for fiscal year 2018-19.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 3-000)
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Santa Maria Joint Union High School District Bond	.045220	.049490	.049430	.078640	.074490
Santa Maria-Bonita School District	.000000	.025750	.025750	.025750	.020600
Allan Hancock Joint Community College District	.025000	.025000	.025000	.023750	.022560
Total Tax Rate	$1.070220	$1.100240	1.100180	1.128140	1.117650

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the Education Code, bonds approved pursuant to the Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the Authorization will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2019 Bonds, the District projects that the maximum tax rate required to repay the Series 2019 Bonds and all other outstanding bonds approved under the Authorization, will be within that legal limit. The tax rate limitation applies only when new bonds are issued, and does not restrict the authority of the applicable county board of supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2019 Bonds and any other series of bonds issued under the Authorization in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2019 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $30 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $25 redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The Counties do not provide information with respect to the real property tax charges and delinquencies for the general 1% property tax levy on property within the District. See "– Teeter Plan" below. The following table sets forth real property tax charges and corresponding delinquencies for the District's general obligation bond debt service levy on the property located within the District for fiscal years 2015-16 through 2017-18. Fiscal year 2015-16 was the first year of the District's general obligation bond debt service levy; as a result there is no information available for prior fiscal years.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2015-16 through 2017-18

	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2015-16	$1,705,731.80	$ 4,399.86	0.26%
2016-17	1,810,975.18	11,335.79	0.63
2017-18	1,947,995.63	36,872.30	1.89

(1) General obligation bond debt service levy only. There was no debt service levy in prior years.
Source: California Municipal Statistics, Inc.

Teeter Plan

Santa Barbara County and San Luis Obispo County have adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in a County, including school districts, receives the full amount of uncollected taxes levied on the secured roll credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers had been collected. In return, the Counties each receive and retain delinquent payments, penalties and interest as collected, that would have been due the local agency. Santa Barbara County and San Luis Obispo County apply the Teeter Plan to taxes levied for repayment of general obligation bonds.

The Teeter Plan is to remain in effect unless the board of supervisors of a county orders its discontinuance or unless, prior to the commencement of any fiscal year of a county (which commences on July 1), the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in such county. The board of supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective February 12, 2019 for debt outstanding as of March 1, 2019. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Statement of Direct and Overlapping Bonded Debt

February 12, 2019

2018-19 Assessed Valuation: $8,804,838,406

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/19
Allan Hancock Joint Community College District	32.001%	$ 40,377,018
San Luis Obispo County Community College District	0.001	1,261
Santa Maria Joint Union High School District	58.526	68,319,889
Santa Maria-Bonita School District	100.000	30,000,000(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$138,698,168
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Barbara County Certificates of Participation	10.625%	$ 4,314,813
San Luis Obispo County Certificates of Participation and Pension Obligation Bonds	0.001	1,058
Santa Maria Joint Union High School District General Fund Obligations	58.526	1,463,791
Santa Maria-Bonita School District Certificates of Participation	100.000	34,117,766
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$39,897,428
Less: Santa Barbara County Supported Obligations		307,063
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$39,590,365
GROSS COMBINED TOTAL DEBT		$178,595,596(2)
NET COMBINED TOTAL DEBT		$178,288,533

(1) Excludes Series 2019 Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to Assessed Valuation:	
Direct Debt ($30,000,000)	0.34%
Total Direct and Overlapping Tax and Assessment Debt	1.58%
Total Direct Debt ($64,117,766)	0.73%
Gross Combined Total Debt	2.03%
Net Combined Total Debt	2.02%

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2019 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2019 Bonds is the first price at which a substantial amount of such maturity of the Series 2019 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019 Bonds accrues daily over the term to maturity of such Series 2019 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019 Bonds. Beneficial Owners of the Series 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019 Bonds is sold to the public.

Series 2019 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds.

Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or 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 or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2019 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2019 Bonds at the time of issuance substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation. Price, Postel & Parma LLP serves as District Counsel but is not expected to deliver an opinion with respect to the Series 2019 Bonds or this Official Statement.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2019 Bonds are legal investments for commercial banks in California to the extent that the Series 2019 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2019 Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series 2019 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2018-19 fiscal year (which is due no later than April 1, 2020) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC").

In the past five years, the District failed to timely file all of the operating data required by its continuing disclosure undertakings for fiscal years 2012-13 and 2013-14. Certain operating data for fiscal year 2012-13 was provided in the District's fiscal year 2012-13 audit, but such audit was not linked to all outstanding CUSIPs of the District, so both the operating data and the audit for such fiscal year were not timely filed for all outstanding obligations of the District. Further, the fiscal year 2013-14 budget was not timely filed.

Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices was recently engaged as the District's dissemination agent in connection with its prior undertakings and its undertakings relating to the Series 2019 Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2019 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2019 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2019 Bonds or District officials who will sign certifications relating to the Series 2019 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2019 Bonds.

The District is occasionally subject to lawsuits and claims. 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.

MISCELLANEOUS

Rating

Moody's Investors Service ("Moody's") has assigned a rating of "Aa3" to the Series 2019 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions as well as information and materials furnished to them (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2019 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2019 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2019 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Underwriting

The Series 2019 Bonds are being purchased for reoffering to the public by Raymond James & Associates, Inc. (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on April 11, 2019 (the "Purchase Agreement"), by and between the District and the Underwriter. The Underwriter has agreed to purchase the Series 2019 Bonds at a price of $16,338,281.30 (which represents the aggregate principal amount of the Series 2019 Bonds, plus original issue premium of $1,413,281.30, and less Underwriter's discount in the amount of $75,000.00). The Purchase Agreement provides that the Underwriter will purchase all of the Series 2019 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2019 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2019 Bonds. Price, Postel & Parma LLP is acting as counsel to the District. Fieldman, Rolapp & Associates, Inc. is acting as the District's Municipal Advisor with respect to the Series 2019 Bonds. Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California, is acting as Underwriter's Counsel with respect to the Series 2019 Bonds. Payment of the fees and expenses of the Municipal Advisor and Underwriter's Counsel is also contingent upon the sale and delivery of the Series 2019 Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2019 Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2019 Bonds.

The District has duly authorized the delivery of this Official Statement.

SANTA MARIA-BONITA SCHOOL DISTRICT

By: /s/ Matthew Beecher
Assistant Superintendent
for Business Services

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Santa Maria-Bonita School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2019 Bonds are payable from the general fund of the District or from State revenues. The Series 2019 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Santa Barbara and County of San Luis Obispo on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2019 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District is located along California's Central Coast, approximately halfway between San Francisco and Los Angeles. The District operates primarily in the County of Santa Barbara ("Santa Barbara County"), but also serves the County of San Luis Obispo ("San Luis Obispo County" and, together with Santa Barbara County, the "Counties"). The District was formed on July 1, 1988 from the merger of the Santa Maria Elementary School District and the Bonita School District. The District provides public education within an approximately 48.2 square mile area, serving the City of Santa Maria and neighboring communities. The District operates 20 schools, including 16 elementary schools and four junior high schools. The District's enrollment was 17,122 for fiscal year 2017-18 and is 16,939 for fiscal year 2018-19. The District operates under the jurisdiction of the Santa Barbara County Superintendent of Schools.

Board of Education

The District is governed by a five-member Board of Education (the "District Board"), each voting member of which is elected by voters within the District to serve alternating four-year terms. The members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December the District Board elects a President, Vice President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)

Board of Education

Name	Office	Current Term Expires
Vedamarie Alvarez-Flores	President	December 2022
John Hollinshead	Vice President	December 2020
Linda Cordero	Clerk	December 2020
JoAnn "Jody" Oliver	Member	December 2020
Ricky Lara	Member	December 2022

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the District Board and reports to the District Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Luke Ontiveros, Superintendent. Luke Ontiveros began his position as Superintendent of the District on July 1, 2016 and was previously the superintendent of the Snowline Joint Unified School District ("Snowline JUSD"). A lifelong educator, Mr. Ontiveros began his career teaching junior high language arts and history in the Snowline JUSD, a K-12 district of 12 schools and 8,500 students in Phelan, California. After his classroom teaching years, he became an assistant principal then a principal in Snowline JUSD. He took a position as the assistant superintendent for curriculum and instruction in the Silver Valley Unified School District. Later, Mr. Ontiveros was hired as a coordinator in the Ontario-Montclair School District ("Ontario-Montclair SD"). He was promoted to other jobs in the Ontario-Montclair SD, including director of classified personnel, interim assistant superintendent for instructional services and finally the special assistant to the superintendent. In 2009, Mr. Ontiveros returned to Snowline JUSD as its assistant superintendent for human resources. He was superintendent there for three years before coming to the District.

Mr. Ontiveros was born and raised in Santa Maria, California and he attended Santa Maria-Bonita schools, St. Mary of the Assumption School and St. Joseph High School before earning a bachelor's degree in history at Santa Clara University in 1984. He received his teaching credential from Cal Poly San Luis Obispo and a master's degree in organizational leadership from National University in San Diego.

Matthew Beecher, Assistant Superintendent for Business Services. Mr. Beecher currently serves as the Assistant Superintendent for Business Services of the District. As such, his responsibilities include developing and maintaining the annual budget, coordinating activities for accounting, attendance, purchasing, reprographics, food service, maintenance, operations, facilities and transportation. Mr. Beecher also reviews and prepares all State, county and regulatory reports. Prior to his appointment as Assistant Superintendent for Business services of the District, Mr. Beecher served as the Director of Fiscal Services for the Lompoc Unified School District and also worked extensively in the private sector. Mr. Beecher received his Bachelor of Science degree in business administration, with a concentration in accounting, from California Polytechnic State University in San Luis Obispo, California. Mr. Beecher is also a licensed Certified Public Accountant.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "− Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "− Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately 74.46% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $166.77 million in fiscal year 2018-19. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "*−Allocation of State Funding to School Districts; Local Control Funding Formula*," "–

Attendance and LCFF" and "Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2018-19 State budget on June 27, 2018.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2019 Bonds, and the District takes no responsibility for informing owners of the Series 2019 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the "2018-19 State Budget") on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year

2018-19 that projects approximately $133.33 billion in revenues, and $83.82 billion in non-Proposition 98 expenditures and $54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a $1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately $1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for all kindergarten through grade 12 ("K-12") education programs. The 2018-19 State Budget provides $3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional $570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides $300 million one-time Proposition 98 General Fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State's academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- Statewide System of Support. The 2018-19 State Budget includes $57.8 million in Proposition 98 General Fund resources for county offices of education to provide technical assistance to school districts, of which $4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.

- Multi-Tiered Systems of Support (MTSS). The 2018-19 State Budget includes $15 million one-time Proposition 98 General Fund resources to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.

- Community Engagement Initiative. The 2018-19 State Budget includes $13.3 million one-time Proposition 98 General Fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the local control and accountability plan ("LCAP") process.

- California Collaborative for Educational Excellence. The 2018-19 State Budget includes $11.5 million Proposition 98 General Fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.

- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes $10 million Proposition 98 General Fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.

- Dashboard Improvement. The 2018-19 State Budget includes $300,000 one-time Proposition 98 General Fund resources to improve the user interface of the California School Dashboard.

- LCFF Budget Summary for Parents. The 2018-19 State Budget includes $200,000 one-time Proposition 98 General Fund resources to develop the electronic template for the LCFF Budget Summary for Parents, which will help stakeholders better understand funding decisions made within the LCAP.

- LCAP Redesign. The 2018-19 State Budget includes $200,000 one-time Proposition 98 General Fund resources to support intended future legislation to streamline the LCAP.

- Strong Workforce Program. The 2018-19 State Budget includes $164 million ongoing Proposition 98 General Fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.

- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes $150 million ongoing Proposition 98 General Fund resources to make permanent the Career Technical Education Incentive Grant Program.

- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing $167.2 million one-time Proposition 98 General Fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 State Budget") on January 10, 2019. The Proposed 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of the global political and economic climate, changes to federal policy, rising costs and risk of recession. The Proposed 2019-20 State Budget estimates that total resources available in fiscal year 2018-19 totaled approximately $149.32 billion (including a prior year balance of approximately $12.38 billion) and total expenditures in fiscal year 2018-19 totaled approximately $144.08 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately $147.86 billion, inclusive of revenues and transfers of approximately $142.62 billion and a prior year balance of $5.24 billion. The Proposed 2019-20 State Budget projects total expenditures of $144.19 billion, inclusive of non-Proposition 98 expenditures of approximately $88.90 billion and Proposition 98 expenditures of approximately $55.30 billion. The Proposed 2019-20 State Budget proposes to allocate approximately $1.39 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.28 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of $15.30 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2019-20 State Budget include the following:

- Local Control Funding Formula. The Proposed 2019-20 State Budget includes an increase of $2 billion in Proposition 98 general fund resources for the LCFF.

- CalSTRs Pension Costs. The Proposed 2019-20 State Budget includes a $3 billion one-time payment of non-Proposition 98 general fund resources to CalSTRs to reduce long-term liabilities for local educational agencies and community colleges, of which $700 million will go towards buying down employer contribution rates in 2019-20 and 2020-21. The remaining 2.3 billion will be allocated to the employers' long-term unfunded liability.

- Statewide System of Support. The Proposed 2019-20 State Budget includes an increase of $20.2 million of Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, consistent with the formula adopted in the 2018-19 State Budget.

- Reporting Systems Improvement. The Proposed 2019-20 State Budget includes an increase of $350,000 of one-time Proposition 98 general fund resources to merge the California School Dashboard, the LCAP electronic template, and other school site and school district reporting tools (including the School Accountability Report Card) into a single web-based application. The consolidated system will provide the public access to a single platform for information, streamline the existing reporting systems and eliminate duplicative and outdated information.

- Special Education. The Proposed 2019-20 State Budget includes $576 million of Proposition 98 general fund resources, of which $186 million is on a one-time basis, to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners.

- Access to Full-Day Kindergarten Programs. The Proposed 2019-20 State Budget includes an increase of $750 million of one-time non-Proposition 98 general fund resources to increase participation in kindergarten programs by constructing new or retrofitting existing facilities for full-day kindergarten programs.

- Longitudinal Education Data. The Proposed 2019-20 State Budget includes an increase of $10 million of one-time non-Proposition 98 general fund resources for the development of a longitudinal data system to improve coordination across educational data systems and track the impact of state investments on achieving educational goals. This system will host student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. Stakeholder meetings will be held to consider data reliability and ways to improve data quality at each education segment.

- Proposition 98 Certification. The Proposed 2019-20 State Budget proposes to revise the Proposition 98 certification process to eliminate the cost allocation schedule and prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year in order to protect local educational agencies from unanticipated revenue drops in past fiscal years.

- School District Average Daily Attendance. The Proposed 2019-20 State Budget includes a decrease of $388 million of Proposition 98 general fund resources in 2018-19 for school districts as a result of a decrease in projected average daily attendance from the 2018-19 State Budget, and a decrease of $187 million of Proposition 98 general fund resources in 2019-20 for school districts as a result of further projected decline in average daily attendance for 2019-20.

- Local Property Tax Adjustments. The Proposed 2019-20 State Budget includes a decrease of $283 million of Proposition 98 general fund resources for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of $1.25 billion of Proposition 98 general fund resources for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes

- Cost-of-Living Adjustments. The Proposed 2019-20 State Budget includes an increase of $187 million of Proposition 98 general fund resources to support a 3.46% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child

Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- CalWORKs Stages 2 and 3 Child Care. The Proposed 2019-20 State Budget includes a net increase of $119.4 million of non-Proposition 98 general fund resources in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and Stage 3 child care are $597 million and $482.2 million, respectively.

- Full-Year Implementation of Prior Year State Preschool Slots. The Proposed 2019-20 State Budget includes an increase of $26.8 million of Proposition 98 general fund resources to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through fiscal year 2018-19.

- County Offices of Education. The Proposed 2019-20 State Budget includes an increase of $9 million of Proposition 98 general fund resources for county offices of education to reflect a 3.46% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.

- Instructional Quality Commission. The Proposed 2019-20 State Budget includes an increase of $279,000 of one-time non-Proposition 98 general fund resources for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

- Emergency Readiness, Response and Recovery Grant. The Proposed 2019-20 State Budget includes an increase of $50 million of one-time non-Proposition 98 general fund resources to commence a comprehensive, statewide education campaign on disaster preparedness and safety.

The complete Proposed 2019-20 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of Proposed 2019-20 State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2019-20 State Budget entitled "The 2019-20 Budget: Overview of the Governor's Budget" on January 14, 2019 (the "2019-20 Proposed Budget Overview"). In the 2019-20 Proposed Budget Overview, the LAO summarizes the condition of the Proposed 2019-20 State Budget in light of uncertainties such as market volatility, rising costs and risk of recession. The LAO also highlights key features of the Proposed 2019-20 State Budget, which include prioritizing debt repayments and one-time programmatic spending and the early introduction of new policy goals.

The LAO notes that the Proposed 2019-20 State Budget is in a positive position, based in large part on the availability of significant discretionary resources in the amount of $20.6 billion. The LAO explains that this is due to the administration's higher revenue assumptions and lower-than-expected spending in health and human services programs. The LAO anticipates that capital gains revenues will likely be lower than the Proposed 2019-20 State Budget assumes due to the recent volatility of the financial market, including the sharp decline in stock prices at the end of 2018. However, the LAO suggests that any losses in capital gains revenues would likely be off-set by lower constitutionally required spending and reserve deposits. As a result, the LAO explains that under current conditions, the net effect on discretionary resources would be less than the full revenue decline. Although the LAO maintains a positive outlook on the Proposed 2019-20 State Budget, the LAO recognizes that the current financial market and economic conditions can change significantly and affect revenues in the May Revision of the Proposed 2019-20 State Budget.

The LAO summarizes that the Proposed 2019-20 State Budget allocates $20.6 billion in discretionary resources among a variety of priorities, including $9.7 billion for reducing debts and liabilities on a one-time basis, $5.1 for programmatic spending on a one-time basis, $2.7 billion for ongoing spending and $3 billion for reserves. The LAO points out that the Proposed 2019-20 State Budget uses a significant portion of discretionary resources for debt repayment and prioritizes one-time spending for programmatic expansions. The LAO finds this allocation prudent even though the Proposed 2019-20 State Budget apportions a smaller share of resources for reserves than recent budgets. The LAO explains that this approach benefits the budget in future years and in some cases reduces ongoing spending growth.

The LAO notes that the Proposed 2019-20 State Budget apportions $2.7 billion for ongoing spending, which will reach an estimated $3.5 billion under full implementation as costs grow over time. The LAO explains that these expenditure levels are in line with estimates of available ongoing resources. However, the LAO cautions that these costs could grow due to various uncertainties not captured in the spending proposals, such as increased costs for CalWORKs grants in case of recession and costs for disaster mitigation, response and recovery. The LAO further notes that while the Proposed 2019-20 State Budget includes mostly one-time spending for these purposes, they are more likely to be ongoing costs.

The LAO explains that the Proposed 2019-20 State Budget establishes a number of policy goals, including developing a plan for implementing universal preschool, negotiating existing state prescription drug prices and reviewing related negotiation and procurement practices, and expanding paid family leave. The LAO notes that these proposals are still in the process of development and, therefore, are not reflected in the administration's budget bottom line. The LAO finds that by proposing these policy goals at the beginning of the budget process, the Governor gives the State Legislature the opportunity to collaborate with the administration to shape these policies.

The 2019-20 Proposed Budget Overview is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2019-20 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2019-20 State budget from the Proposed 2019-20 State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2019-20 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2019-20 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2019-20 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series 2019 Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Series 2019 Bonds.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*" herein). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years — such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of average daily attendance ("A.D.A.") with additional supplemental funding (the "Supplemental Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2018-19, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $8,235 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,571 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,796 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $9,269 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. Further, this amount also includes the higher costs-of-living adjustment of 3.70% authorized by the 2018-19 State Budget, which is known as "super COLA."

- A 20% Supplemental Grant for the unduplicated number of English language 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 LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, LEAs would receive the greater of the Base Grant or the ERT.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

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Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2018-19, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education and students enrolled with county office of education programs for which the District receives funding.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2018-19

		A.D.A./Base Grant				Enrollment[5]	
Fiscal Year		K-3	4-6	7-8	Total A.D.A.[6]	Total Enrollment	Percent of EL/LI Students
2013-14	A.D.A.[2]:	7,501	4,790	2,836	15,127	15,591	97.74%
	Targeted Base Grant[3]:	$7,675	$7,056	$7,266	--	--	--
2014-15[1]	A.D.A.[2]:	7,615	5,120	2,803	15,539	16,076	92.19%
	Targeted Base Grant[3][4]:	$7,740	$7,116	$7,328	--	--	--
2015-16	A.D.A.[2]:	7,739.55	5,388.11	2,947.46	16,075.12	16,584	92.05%
	Targeted Base Grant[3][5]:	$7,083	$7,189	$7,403	--	--	--
2016-17	A.D.A.[2]:	7,714.56	5,422.10	3,213.03	16,349.69	16,868	91.70%
	Targeted Base Grant[3][6]:	$7,116	$7,223	$7,438	--	--	--
2017-18	A.D.A.[2]:	7,724.32	5,443.77	3,439.20	16,607.29	17,122	92.07%
	Targeted Base Grant[3][7]:	$7,941	$7,301	$7,518	--	--	--
2018-19[1]	A.D.A.[1]:	7,632.84	5,307.83	3,490.03	16,430.70	16,939	91.95%
	Targeted Base Grant[3][8]:	$8,235	$7,571	$7,796	--	--	--

[1] Figures are projections based on the second interim report for fiscal year 2018-19; these projections will be revised throughout such fiscal year.
[2] A.D.A. for the second period of attendance, typically in mid-April of each school year.
[3] Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF is now fully implemented as of the current fiscal year 2018-19 – two years ahead of its anticipated implementation.
[4] Targeted fiscal year 2014-15 Base Grant amount reflects a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
[5] Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
[6] Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
[7] Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
[8] Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
[9] Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 through 2017-18 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students was based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Santa Maria-Bonita School District.

The District received approximately $170.13 million in aggregate revenues reported under LCFF sources in fiscal year 2017-18, and has projected to receive approximately $183.86 million in aggregate revenues under the LCFF in fiscal year 2018-19 (or approximately 82.10% of its general fund revenues in fiscal year 2018-19). Such amount includes supplemental grants and concentration grants projected to be approximately $24.27 million and $24.49 million, respectively, in fiscal year 2018-19.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each 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. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "State Funding of Education; State Budget Process −*Allocation of State Funding to School Districts; Local Control Funding Formula"* herein for more information about the LCFF.

Local property tax revenues account for approximately 19.41% of the District's aggregate revenues reported under LCFF sources, and are projected to be approximately $35.68 million, or 15.93% of total general fund revenues in fiscal year 2018-19.

For information about the property taxation system in California and the District's property tax base, see the sections titled "− Property Taxation System," "−Assessed Valuation of Property Within the District," and "−Tax Charges and Delinquencies" under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" in the front portion of the Official Statement.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 6.82% (or approximately $15.28 million) of the District's general fund projected revenues for fiscal year 2018-19.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 8.01% (or approximately $17.93 million) of the District's general fund projected revenues for fiscal year 2018-19.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately $3.49 million for fiscal year 2018-19.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 3.07% (or approximately $6.88 million) of the District's general fund projected revenues for fiscal year 2018-19.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2018, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vavrinek, Trine, Day & Co. LLP, Certified Public Accountants & Consultants, Fresno, California, for fiscal years 2013-14 through 2017-18. Vavrinek, Trine, Day & Co. LLP, Certified Public Accountants & Consultants has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has neither audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2013-14 through 2017-18.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUES					
LCFF sources	$102,155,279	$121,916,290	$148,494,121	$162,297,229	$170,125,108
Federal sources	10,869,218	13,305,453	14,183,632	14,027,445	14,172,542
Other State sources	15,926,117	15,061,594	27,091,496	21,732,691	15,790,408
Other local sources	1,305,898	1,147,292	1,338,419	1,641,719	7,199,621
Total Revenues	130,256,512	151,430,629	191,107,668	199,699,084	207,287,679
EXPENDITURES					
Current					
Instruction	80,956,876	98,065,886	111,590,158	126,752,369	127,006,726
Instruction related activities:					
Supervision of instruction	5,389,772	6,921,046	8,173,838	9,349,344	10,733,723
Instructional library, media, and technology	1,611,633	2,405,439	3,301,139	2,895,715	3,113,048
School site administration	7,657,689	8,829,182	10,376,978	10,500,526	11,120,857
Pupil services:					
Home-to-school transportation	2,650,782	2,949,156	3,081,992	3,459,636	3,734,175
Food services	2,152	89,377	173	786	4,185
All other pupil services	6,325,469	8,254,213	9,288,496	10,757,681	12,299,493
General administration:					
Data processing	2,038,594	773,547	728,252	777,245	1,072,076
All other general administration	4,306,516	5,051,780	5,891,624	6,119,456	5,957,539
Plant services	10,677,742	12,369,948	13,737,084	14,971,191	17,684,589
Facility acquisition and construction	489,252	42,408	-	262,926	-
Ancillary services	108,296	127,704	93,795	113,371	112,622
Community services	31,941	40,875	30,786	26,951	22,228
Other outgo	66,759	-	1,719	161	8,573,644
Debt service					
Principal	63,000	63,000	63,000	63,000	63,000
Interest and other	-	-	-	-	-
Total Expenditures	122,376,473	145,983,561	166,359,034	186,050,358	201,497,905
Excess (Deficiency) of Revenues Over Expenditures	7,880,039	5,447,068	24,748,634	13,648,726	5,789,774
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers out[1]	(4,201,526)	(6,422,718)	(19,362,240)	(5,413,915)	(5,353,209)
Net Financing Sources (Uses)	(4,201,526)	(6,422,718)	(19,362,240)	(5,413,915)	(5,353,209)
NET CHANGE IN FUND BALANCES	3,678,513	(975,650)	5,386,394	8,234,811	436,565
Fund Balance – Beginning	32,926,796	36,605,310	35,629,660	41,016,054	49,250,865
Fund Balance – Ending	$ 36,605,309	$ 35,629,660	$ 41,016,054	$ 49,250,865	$ 49,687,430

[1] The increase in transfers out for fiscal year 2015-16 are the result of various student housing projects, including portable classrooms, physical education facilities, and building remediation, in addition to the regularly scheduled rental payments evidenced by the Series 2013 Certificates and Series 2013 Refunding Lease (both as defined herein).

Source: District Audited Financial Reports for fiscal years 2013-14 through 2017-18.

The following table sets forth the general fund balance sheet of the District for fiscal years 2013-14 through 2017-18.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Summary of General Fund Balance Sheet
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
ASSETS					
Deposits and investments	$19,951,051	$33,340,891	$36,662,377	$49,389,703	$50,290,910
Receivables	23,770,013	13,153,220	15,073,015	20,555,844	16,078,430
Due from other funds	401,966	550,130	693,065	516,638	648,330
Prepaid expenditures	636,977	624,688	626,043	737,913	230,898
Stores inventories	61,343	64,799	70,931	55,755	64,165
Total Assets	$44,821,350	$47,733,728	$53,125,431	$71,255,853	$67,312,733
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 7,758,509	$11,385,384	$11,431,401	$20,135,059	$17,284,498
Due to other funds	457,207	658,715	677,457	1,824,545	335,780
Deferred/Unearned revenue	325	59,969	519	45,384	5,025
Total Liabilities	8,216,041	12,104,068	12,109,377	22,004,988	17,625,303
FUND BALANCES:					
Nonspendable	708,320	699,487	706,974	803,667	303,433
Restricted	4,700,788	2,359,822	7,145,439	8,400,132	7,696,788
Committed	-	-	-	-	-
Assigned	4,497,789	4,908,672	10,608,188	34,302,066	35,479,209
Unassigned	26,698,412	27,661,679	22,555,453	5,745,000	6,208,000
Total Fund Balance	36,605,309	35,629,660	41,016,054	49,250,865	49,687,430
Total Liabilities and Fund Balances	$44,821,350	$47,733,728	$53,125,431	$71,255,853	$67,312,733

Source: Santa Maria-Bonita School District Audited Financial Reports for fiscal years 2013-14 through 2017-18.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of Santa Barbara Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent of schools disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the county superintendent of schools may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county 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 the 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 the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year. In the last five years, the District has not received a negative or qualified certification for an interim financial report.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

The following table sets forth the District's adopted general fund budgets for fiscal years 2016-17 through 2018-19, unaudited actuals for fiscal years 2016-17 and 2017-18, and second interim report for fiscal year 2018-19.

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SANTA MARIA-BONITA SCHOOL DISTRICT
General Fund Budgets for Fiscal Years 2016-17 through 2018-19, Unaudited Actuals for Fiscal Years 2016-17 and 2017-18 and Second Interim Report for Fiscal Year 2018-19

	2016-17 Original Adopted Budget	2016-17 Unaudited Actuals(1)	2017-18 Original Adopted Budget	2017-18 Unaudited Actuals(1)	2018-19 Original Adopted Budget	2018-19 Second Interim Report(2)
REVENUES						
LCFF Sources	$159,371,792.00	$162,297,227.75	$157,003,589.00	$170,125,109.56	$174,621,246.00	$183,863,632.00
Federal Revenue	13,316,181.00	14,027,444.44	13,339,199.00	14,172,541.35	13,529,587.00	15,281,393.00
Other State Revenue	14,237,229.00	21,732,690.05	15,693,308.00	15,790,407.89	18,911,998.00	17,934,533.00
Other Local Revenue	691,577.00	1,632,182.47	1,506,833.00	7,184,125.32	6,348,162.00	6,883,443.00
TOTAL REVENUES	187,616,779.00	199,689,544.71	187,542,929.00	207,272,184.12	213,410,993.00	223,963,001.00
EXPENDITURES						
Certificated Salaries	81,911,073.00	77,294,718.60	83,786,139.00	84,151,685.24	86,807,865.00	90,662,994.00
Classified Salaries	23,387,379.00	23,136,980.51	26,496,092.00	25,532,348.96	27,686,395.00	28,895,716.00
Employee Benefits	36,188,948.00	40,149,093.09	42,678,064.00	44,221,931.76	47,501,037.00	50,497,066.00
Books and Supplies	12,634,857.00	16,782,843.84	13,713,795.00	12,318,019.37	14,717,190.00	12,737,804.00
Services, Other Operating Expenses	30,031,436.00	28,519,831.33	32,045,569.00	25,320,505.42	27,055,385.00	36,887,407.00
Capital Outlay	175,846.00	530,392.90	179,245.00	1,796,903.66	1,733,430.00	1,797,783.00
Other Outgo (excluding Direct Support/Indirect Costs)	63,000.00	63,161.00	63,000.00	8,636,644.00	8,820,439.00	9,269,108.00
Transfers of Direct Support/Indirect Costs	(425,429.00)	(426,663.55)	(495,182.00)	(480,133.89)	(499,606.00)	(523,549.00)
TOTAL EXPENDITURES	183,967,110.00	186,050,357.72	198,466,722.00	201,497,904.52	213,822,135.00	230,224,329.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,649,669.00	13,639,186.99	(10,923,793.00)	5,774,279.60	(411,142.00)	(6,261,328.00)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	-	-	-	-	-
Inter-fund Transfers Out	(4,122,813.00)	(5,413,915.39)	(5,713,752.00)	(5,353,209.47)	(3,898,351.00)	(3,758,866.00)
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(4,122,813.00)	(5,413,915.39)	(5,713,752.00)	(5,353,209.47)	(3,898,351.00)	(3,758,866.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(473,144.00)	8,225,271.60	(16,637,545.00)	421,070.13	(4,309,493.00)	(10,020,194.00)
BEGINNING BALANCE, as of July 1	29,704,444.00	39,742,384.70	34,337,213.00	47,967,656.30	37,171,682.00	48,388,729.00
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	29,704,444.00	39,742,384.70	34,337,213.00	47,967,656.30	37,171,682.00	48,388,729.00
Other Restatements	-	-	-	-	-	-
Adjusted Beginning Balance	29,704,444.00	39,742,384.70	34,337,213.00	47,967,656.30	37,171,682.00	48,388,729.00
ENDING BALANCE	$ 29,231,300.00	$ 47,967,656.30	$ 17,699,668.00	$ 48,388,726.43	$ 32,862,189.00	$38,368,535.00
Total Unrestricted Ending Balance	$29,230,928.00	$39,567,524.63	$14,519,087.00	$40,691,937.93	$29,232,329.00	$33,922,465.00
Total Restricted Ending Balance	$372.00	$8,400,131.67	$3,180,581.00	$7,696,788.50	$3,629,860.00	$4,446,070.00

(1) The unaudited actuals for fiscal years 2016-17 and 2017-18 differ from the District's audited financial statements for such fiscal years because the District's unaudited actuals do not consolidate Fund 17, Special Reserve for Non-Capital Fund, with the General Fund; however, in accordance with GASB Statement No. 54, the District's audited financial statements consolidate Fund 17 with the General Fund.
(2) Figures are projections.
Source: Santa Maria-Bonita School District adopted general fund budgets for fiscal years 2016-17 through 2018-19; unaudited actuals for fiscal years 2016-17 and 2017-18; and second interim report for fiscal year 2018-19.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2018, consisted of the following:

Long-Term Debt	Balance July 1, 2017, as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds[1]					
Series 2015 Bonds	$30,000,000	$ -	$ -	$30,000,000	$ -
Premium	1,886,153	-	67,363	1,818,790	-
Certificates of Participation					
Series 2013 Certificates	21,815,000	-	1,095,000	20,720,000	1,115,000
Series 2013 Refunding Lease	15,175,301	-	1,172,387	14,002,914	1,209,968
State preschool revolving loans	126,000	-	63,000	63,000	63,000
Early retirement incentives					
PARS	624,093	-	624,093	-	-
ERIP	282,083	535,000	184,583	632,500	84,000
Compensated absences – net	79,124	19,178	-	98,302	-
Other postemployment benefits	16,894,520	239,218	-	17,133,738	-
Total	$86,882,274	$793,396	$3,206,426	$84,469,244	$2,471,968

(1) Does not include the Series 2019 Bonds.
Source: Santa Maria-Bonita School District Audited Financial Report for fiscal year 2017-18.

Certificates of Participation; Leases. On March 28, 2013, the District entered into a Lease Agreement, dated as of March 1, 2013 (the "Series 2013 Refunding Lease"), with the Santa Maria-Bonita Capital Facilities Corporation (the "Corporation"), pursuant to which the District agreed to pay certain base rental payments to the Corporation on each June 1 and December 1, commencing December 1, 2013, through June 1, 2028. The Corporation assigned its right to receive such base rental payments in consideration for $19,408,712. The proceeds so received, together with certain other available amounts, were applied to the prepayment of prior certificates of participation of the District.

On April 30, 2013, the District executed and delivered $25,915,000 aggregate principal amount of its 2013 Certificates of Participation (New School Construction Project) (the "Series 2013 Certificates"). The proceeds of the Series 2013 Certificates were used to finance the construction of a new elementary school.

More information about the Series 2013 Refunding Lease and the Series 2013 Certificates follow:

	Issue Date	Maturity Date	Interest Rates %	Original Issue	Certificates Outstanding July 1, 2017	Redeemed	Certificates Outstanding June 30, 2018
Series 2013 Certificates:	4/16/2013	6/1/2033	1.0-4.11	$25,915,000	$21,815,000	$1,095,000	$20,720,000
Series 2013 Refunding Lease:	3/1/2013	6/1/2028	3.18	19,408,712	15,175,301	1,172,387	14,002,914
Total:				$45,323,712	$36,990,301	$2,267,387	$34,722,914

Source: Santa Maria-Bonita School District Audited Financial Report for fiscal year 2017-18.

The principal and interest payments evidenced by the Series 2013 Certificates through 2033 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 1,115,000	$ 705,819	$ 1,820,819
2020	1,140,000	683,519	1,823,519
2021	1,165,000	656,444	1,821,444
2022	1,195,000	625,863	1,820,863
2023	1,230,000	590,013	1,820,013
2024-2028	6,770,000	2,335,763	9,105,763
2029-2033	8,105,000	998,200	9,103,200
Total	$20,720,000	$6,595,621	$27,315,621

Source: Santa Maria-Bonita School District Audited Financial Report for fiscal year 2017-18.

The principal and interest payments evidenced by the Series 2013 Refunding Lease through 2028 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 1,209,968	$ 435,671	$ 1,645,639
2020	1,248,753	396,885	1,645,638
2021	1,288,782	356,857	1,645,639
2022	1,330,094	315,545	1,645,639
2023	1,372,730	272,909	1,645,639
2024-2028	7,552,587	675,607	8,228,194
Total	$14,002,914	$2,453,474	$16,456,388

Source: Santa Maria-Bonita School District Audited Financial Report for fiscal year 2017-18.

State Preschool Revolving Loans. The District was approved for a loan of $630,000 from the California Department of Education for the purpose of construction of three preschool sites. The loan is at 0% interest and is paid in annual payments of $63,000 through fiscal year 2018-19. The loan balance at June 30, 2018, was $63,000.00

Early Retirement Incentive Obligations. The District provides the following special termination benefits for early retirement:

Public Agency Retirement Services Program. The District provided employees age 55 and over with a minimum of 10 years of full-time service who elected to retire before June 2008, with voluntary resignation incentive income under the Public Agency Retirement Services Program (the "Program"). Eligible retirees qualified for the Program and are receiving varying amounts per participant annually for five years. The outstanding liability for the Program was paid in full at June 30, 2018.

Early Retirement Incentive Program. The District provides an early retirement program to certificated, management and confidential employees ("ERIP"). To qualify, participants must be 55 years of age or older and must have served 10 years full-time in the District. Participants retiring at ages 55 through 58 can receive $12,000 per year in exchange for days of work for the District after retirement. The number of days of work is limited by the collective bargaining agreement and/or District Board policy stipulations. Participation is limited to a maximum of five years. Participants retiring from the age of 59 to 62 are eligible to receive a set amount of $45,000 at age 59, $30,000 at age 60, $15,000 at age 61 or $7,000 at age 62. Eligible retirees qualified for ERIP and are receiving varying amounts per participant annually. The outstanding liability for ERIP was $632,500 at June 30, 2018. The payments for EIRP are as follows:

Year Ending June 30,	Principal
2019	$271,000
2020	151,500
2021	81,000
2022	69,000
2023	60,000
Total	$632,500

Source: Santa Maria-Bonita School District Audited Financial Report for fiscal year 2017-18.

Compensated Absences. The long-term portion of compensated absences for the District at June 30, 2018, amounted to $98,302.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with California State Teacher's Retirement System ("CalSTRS") and the State Public Employees' Retiremnet System ("CalPERS") and CalPERS (see "– Retirement Benefits" below), the District provide certain postemployment healthcare benefits in accordance with District employment contracts. The District's postemployment healthcare plan (the "Plan") is a single-employer defined benefit plan that provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan, as of June 30, 2018, consisted of approximately 107 inactive employees or beneficiaries currently receiving benefits under the Plan and 1,094 active employees who could become eligible to receive benefits under the Plan in the future. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District Board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

In June 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75"). Other post-employment benefits (meaning other than pension benefits) ("OPEB") generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. The objective of Statement Number 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement Number 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement Number 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement Number 75 replaces GASB Statements Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. Statement Number 75 is effective for periods beginning after June 15, 2017. The District has implemented Statement Number 75 for fiscal year 2017-18.

No assets are accumulated in a trust that meets the criteria of Statement Number 75. The contribution requirements of plan members and the District are established but may be amended by the District, the Santa Maria Elementary Education Association ("SMEEA"), the local California Service Employees Association ("CSEA"), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, SMEEA, CSEA and the unrepresented groups. For fiscal year 2017-18, the District contributed $982,344 to the Plan.

Demsey, Filliger & Associates, Chatsworth, California, has prepared an actuarial valuation (the "Actuarial Valuation") covering the District's retiree health benefits and reports that, as of June 30, 2018, the total OPEB liability, which is the liability or obligation for benefits earned through the valuation date, is $17,133,738. The Actuarial Valuation assumes, among other things, a 3.13% discount rate per year, 3.00% salary increases rate per year, an annual healthcare cost trend rate of 5.00% beginning in fiscal year 2018-19 and beyond.

Tax and Revenue Anticipation Notes. The District did not issue any tax and revenue anticipation notes in fiscal year 2017-18. The District also has not issued and does not expect to issue any tax and revenue anticipation notes in fiscal year 2018-19. The District may, however, issue tax and revenue anticipation notes in future fiscal years as and when necessary to supplement cash flow.

Labor Relations

As of January 31, 2019, the District employed 896.9 full-time equivalent ("FTE") certificated employees, 713.5 FTE classified employees and 88 management and supervisory personnel. In fiscal year 2017-18, the total certificated and classified payrolls for all funds were approximately $85.15 million and $29.39 million, respectively, and are projected to be approximately $91.78 million and $32.98 million, respectively, in fiscal year 2018-19. As of such date, District employees were represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Santa Maria Elementary Education Association	920	June 30, 2020
California School Employees Association – Ch. 129	1,072	June 30, 2020

Source: Santa Maria-Bonita School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, covered employees contributed 8.00% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Prior to fiscal year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to system-wide unfunded liability resulting from recent benefit enhancements.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. However, on July 1, 2018, for members hired on or after January 1, 2013, the rate increased from 9.205% of pay to 10.250% of pay. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 9.328%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor.

As of June 30, 2017, an actuarial valuation (the "2017 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $107.3 billion, an increase of approximately $10.6 million from the June 30, 2016 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 62.6%, 63.7%, and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2017 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," a 7.00% investment return assumption consistent with the State Teachers' Retirement Board's decision on February 1, 2017, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2017 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10
2020	18.10

Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS as well as the State's required non-employer contributions for fiscal years 2014-15 through 2017-18 and the projected contributions for fiscal year 2018-19.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Contributions to CalSTRS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	District's Contribution	State's On-Behalf Contribution
2014-15	$ 5,719,908	$ 3,120,849
2015-16	7,783,254	4,131,154
2016-17	9,618,165	5,531,627
2017-18	11,880,095	6,396,447
2018-19(1)	14,710,757	6,777,666

(1) Second interim report for fiscal year 2018-19.
Source: Santa Maria-Bonita School District

The District's total employer contributions to CalSTRS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

The districts are currently required to contribute to PERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for fiscal years 2015-16, 2016-17, and 2017-18, respectively, and 18.062% of eligible salary expenditures for fiscal year 2018-19. Plan participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18 and 7.00% in fiscal year 2018-19.

On April 17, 2013, the PERS board of administration (the "PERS Board") approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses and a five-year ramp-up of rates at the start and a five year ramp-down of rates at the end. The PERS Board delayed the implementation of the new policies until fiscal year 2015-16 for the State, schools and all other public agencies. In December

2016, the PERS Board voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19 and 7.0% beginning in fiscal year 2019-20. The new discount rate for the State went into effect beginning July 1, 2017 and the new discount rate for school districts became effective July 1, 2018. With regards to districts that contract with PERS to administer their pension plans, the change in the assumed rate of return is expected to result in increases in such districts' normal costs and unfunded actuarial liabilities.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20 year period and related increases in public agency contribution rates shall be affected over a three year period, beginning in fiscal year 2014-15. The new demographic assumptions affect the State, school districts and all other public agencies.

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

On February 14, 2018, the PERS Board approved modifying the PERS amortization policy for investment gains/losses from 30 years to 20 years, requiring that the amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, and eliminating the 5-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in actuarial valuations beginning June 30, 2019, and will be implemented starting with fiscal year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities, with the exception that, with regards to the PERS Schools Pool Actuarial Valuation, the impact of the discount rate change from 7.25% to 7.00% in the June 30, 2019 valuation will be amortized under the old policy. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

On April 18, 2018, the PERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the PERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution for fiscal year 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 and the projected contribution for fiscal year 2018-19.

SANTA MARIA-BONITA SCHOOL DISTRICT
(County of Santa Barbara and County of San Luis Obispo, California)
Contributions to CalPERS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	Contribution
2014-15	$1,847,311
2015-16	2,222,798
2016-17	2,711,967
2017-18	3,260,272
2018-19[1]	4,274,357

[1] Second interim report for fiscal year 2018-19.
Source: Santa Maria-Bonita School District

The District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $127,200 for 2017, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 13 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were typically included as notes to the government's financial statements); (ii) full pension costs are shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements, which generally increases pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District is a member of the Self Insured Schools of California II (SISC II), Self Insured Schools of California III (SISC III) and the Self-Insurance Program for Employees (SIPE) public entity risk pools (collectively, the "JPAs"). The District pays an annual premium to each entity for its health, workers' compensation and property liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. The JPAs have budgeting and financial reporting requirements independent of members units, such as the District, and their financial statements are not presented in the District's financial statements; however, fund transactions between the JPAs and the District are included in the District's financial statements. During the fiscal year ended June 30, 2018, the District made payments of $731,829, $17,431,208 and $1,962,899 to SISC II, SISC III and SIPE, respectively. For more information regarding the JPAs, see Note 15 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment 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.

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

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("Article XIIIC" and "Article XIIID," respectively), 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. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino.* This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, "K-14 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, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 districts Appropriations Limits 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 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 schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) 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, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), approved by the voters on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over $250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS — State Funding of Education; State Budget Process."

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

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

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

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

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2019 Bonds as and when due.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District’s ability to expend revenues.

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APPENDIX B

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

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SANTA MARIA-BONITA SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SANTA MARIA-BONITA SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Santa Maria-Bonita School District
Santa Maria, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Maria-Bonita School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 66, schedule of changes in the District's total OPEB liability and related ratios on page 67, schedule of the District's proportionate share of the net pension liability on page 68, and the schedule of District contributions on page 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the Santa Maria-Bonita School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Maria-Bonita School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Maria-Bonita School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 3, 2018

SANTA MARIA-BONITA SCHOOL DISTRICT

708 South Miller Street, Santa Maria, CA 93454-6230, (805) 361-8132

Management and Discussion Analysis

This section of the Santa Maria-Bonita School District (the District) annual financial report presents our discussion and analysis of the District's financial activities and performance during the fiscal year that ended on June 30, 2018. Please read this section in conjunction with the District's financial statements which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. The District has no business-type activities. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The *Fund Financial Statements* include statements for three categories of activities:

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

The *Proprietary Funds* are reported in the same way as the government-wide statements.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The primary unit of the government is the Santa Maria-Bonita School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- At the State of California level:
  - Most economic indicators remain positive.
  - The strength of the dollar and the weakening of the Euro and Pound have strengthened California's position among the world's top economies.
  - The State has experienced continued strengthening of the housing market.

- At the Santa Maria-Bonita School District level:
  - Unlike most districts in the state, the District continues to grow. Growth for 2017-18 was 1.5%, or 254 students from the previous year for total enrollment of 17,122 students.
  - The District continued to maintain a 3% Reserve for Economic Uncertainties as required under AB1200 and has received a positive certification from the County Office of Education for the current and next two fiscal years.
  - Developer/Mitigation fee collections received were $2,037,968. Growth in the economy, a stabilization and increase in home sales prices and continued low interest rates are all factors leading to developer's apparent interest in returning to pursuing new construction albeit at a very slow pace compared to pre-recession years.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

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

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

Governmental activities – all District services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as leases and certificates of participation, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *Statement of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

The District's net position was $104.6 million for the fiscal year ended June 30, 2018 and $107.5 million for the fiscal year ended June 30, 2017, a decrease of $2.8 million. Of this amount, $25.4 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day activities. Most activities in the District maintained a balance with the resource provided. Net position was restated for the fiscal year ended June 30, 2017 due to the implementation of GASB 75. The table below illustrates the District's Net Assets as of June 30, 2018 and 2017.

Net Position
As of June 30, 2018 and 2017

	June 30, 2018	June 30, 2017, as restated	Difference
Current and Other Assets	$ 106,109,726	$ 113,320,650	$ (7,210,924)
Accounts Receivable	17,995,454	22,751,325	(4,755,871)
Net Capital Assets	200,839,659	189,436,741	11,402,918
Total Assets	**$ 324,944,839**	**$ 325,508,716**	**$ (563,877)**
Deferred Outflows	**$ 61,463,499**	**$ 42,888,870**	**18,574,629**
Current Liabilities	$ 18,937,378	$ 21,377,949	$ (2,440,571)
Long-Term Debt:			
Due within one year	2,471,968	3,062,563	(590,595)
Due after one year	81,997,276	83,819,711	(1,822,435)
Net Pension Liability	169,907,678	146,311,415	23,596,263
Total Liabilities	**$ 273,314,300**	**$ 254,571,638**	**$ 18,742,662**
Deferred Inflows	**$ 8,488,940**	**$ 6,373,310**	**2,115,630**
Net Position			
Invested in capital assets, net of related debt	$ 156,213,207	$ 150,271,284	$ 5,941,923
Restricted	25,372,912	27,222,545	(1,849,633)
Unrestricted	(76,981,021)	(70,041,191)	(6,939,830)
Total Net Position	**$ 104,605,098**	**$ 107,452,638**	**$ (2,847,540)**

A portion of the District's revenues are generated from property taxes. One way to understand the stability of this financial stream is to analyze concentrations reported in the top twenty-five taxpayers.

In the chart below, the top twenty five taxpayers within the District boundaries comprise less than 11.9% of the District's overall assessed valuation which indicates more stability for the District's property tax revenue stream and indicates a lower risk.

Largest 25 Taxpayers in the School District as of June 30, 2018

Taxpayer	Net Assessed Value	Tax Paid
WINDSET FARMS CALIFORNIA , INC	$170,704,560	$1,932,230
OKONITE COMPANY INC	$105,385,937	$1,190,753
KW BRADLEY SQUARE, LLC	$49,083,085	$628,712
SANTA MARIA LAND PARTNERS, LLC	$46,365,660	$528,603
MGP 50, LLC	$42,987,405	$502,114
HT PARTNERS, LP	$41,398,454	$531,039
PINI, DARIO L	$37,724,173	$427,481
333 EAST ENOS DRIVE OWNER LLC	$36,987,200	$440,759
SIENA AT WESTGATE, L P	$31,618,983	$428,381
BROADWAY PAVILION STATION LLC	$29,172,000	$330,712
BETTERAVIA INVESTMENTS LLC	$28,907,827	$330,919
ERGS XIV REO OWNER, LLC	$28,560,699	$323,814
LINEAGE MASTER RE 3, LLC	$25,300,662	$287,976
THE PICTSWEET COMPANY	$24,953,033	$285,279
ISTORAGE PO, LLC	$21,259,600	$243,111
YIPSM OWNER, LLC	$21,000,000	$237,681
LYON SANTA MARIA, LLC	$20,675,996	$271,486
OSR/PIM COOLER PARTNERS, LLC	$19,762,275	$222,998
CALPORTLAND CONSTRUCTION	$18,851,148	$216,994
ARBOR RIDGE	$18,350,363	$230,594
BAPA LIMITED PARTNERSHIP	$18,081,775	$205,694
SANTA MARIA BROADWAY PLAZA II, LLC	$17,775,681	$203,165
DRISCOLL STRAWBERRY ASSOCIATES, INC	$16,636,556	$189,672
CARMEN APARTMENT PARTNERS TIC I, LLC	$16,265,199	$184,543
SIERRA EQUITIES INC	$15,519,822	$175,975
Total Top 25 Taxpayers	$903,328,093	$10,550,685

The District's enrollment has a direct correlation to the amount of staffing needed to support students. The growth in enrollment has caused the District's total Full-Time Equivalent (FTE) to increase. The table below illustrates the District's staffing trend as of June 30, 2018.

Historical Staffing Trend
For the Five Fiscal Years ended June 30, 2018

	Certificated FTE	Classified FTE	Management FTE	Total
2017-18	871	613	80	1,564
2016-17	855	596	79	1,530
2015-16	762	501	74	1,337
2014-15	708	437	69	1,214
2013-14	683	397	64	1,144

Governmental Activities

Historically, the District has managed the State budget cuts over the course of the last several years by closely monitoring the deterioration of the State budget. Over the last five years with the implementation of the Local Control Funding Formula, revenues have increased to the District. Conservative spending and a proactive approach by the District's Superintendent and Board of Education have ensured that the District will continue to maintain fiscal solvency currently and the next two fiscal years, as certified by the Santa Barbara County Office of Education. The following table illustrates a summary of revenues by program.

Changes in Net Position - Revenue Comparison
June 30, 2018 Compared with June 30, 2017

	June 30, 2018	June 30, 2017	Difference
Charges for Service	$ 43,325	$ 47,066	$ (3,741)
Operating Grants and Contributions	44,454,067	39,129,551	5,324,516
Capital Grants and Contributions	32,941	10,113	22,828
Federal and State Aid not Restricted for to Specific Purposes	141,590,376	137,171,316	4,419,060
Property Taxes for General Purposes	36,664,626	32,459,692	4,204,934
Property Taxes for Debt Service	2,175,246	2,023,275	151,971
Other General Revenues	4,618,099	10,494,291	(5,876,192)
Total	**$ 229,578,680**	**$ 221,335,304**	**$ 8,243,376**

District revenues for governmental activities have increased by $8.2 million. Charges for Service arise primarily from sales out of the cafeteria. Operating Grants and Contributions revenue comes from restricted funding sources and has increased as a result of numerous one-time specific dollars from State sources. Capital Grants and Contributions revenue is comprised of apportionments received for construction projects. These revenues can decrease as facility projects are completed over time.

Federal and State Aid Not Restricted for a Specific Purpose and Property Taxes are primarily the result of the Local Control Funding Formula (LCFF) calculation. The combination of these two line items increased due to enrollment growth and increased funding from LCFF. For the year ended June 30, 2018, the District's net funded LCFF revenue per average daily attendance was $10,077. Average daily attendance at P-2 was 16,607 (including District funded county programs).

Other general revenues are primarily developer fees, mitigation fees, interest income and site generated funds, which have decreased.

Increases and decreases in local property tax values bear heavily on the District's dependence on State Aid. Therefore, increases in the assessed valuation of property within the boundaries of the District are of particular interest. Assessed valuations of property within the District boundaries at June 30, 2018, were as follows:

Historical Assessed Valuations
For the Five Fiscal Years ended June 30, 2018

	Local Secured	State Secured	Unsecured	Total
2017-18	$ 7,580,381,755	$ -	$ 633,682,072	$ 8,214,063,827
2016-17	7,051,467,649	-	594,039,662	7,645,507,311
2015-16	6,689,921,261	-	514,977,957	7,204,899,218
2014-15	6,333,105,810	-	485,979,554	6,819,085,364
2013-14	6,026,975,605	-	471,702,318	6,498,677,923

Funding for the District's governmental activities came in the form of grants and entitlements from other government organizations to support certain programs in the amount of $44.5 million; from local property taxes in the amount of $38.8 million; and $146.2 million from State aid and other miscellaneous revenues.

The following table illustrates a summary of expenditures by function.

Changes in Net Position - Expense Comparison
June 30, 2018 Compared with June 30, 2017

	June 30, 2018	June 30, 2017	Difference
Instruction Related	$ 165,797,291	$ 160,839,668	$ 4,957,623
Student Support Services	16,567,257	14,580,240	1,987,017
Administration	8,320,504	8,293,433	27,071
Maintenance and Operations	19,949,128	17,724,882	2,224,246
Food Services	10,598,757	10,522,728	76,029
Other	11,193,283	2,682,501	8,510,782
Total	**$ 232,426,220**	**$ 214,643,452**	**$ 17,782,768**

THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

Over the course of the fiscal year, major revisions are submitted to the Board of Education at First Interim (October 31) and Second Interim (January 31) for their review and approval. These changes include:

- Changes imposed by the State adding new grants as well as updating grant estimates to award letters
- Revising estimates for utilities, transportation and professional services
- Additions of new staffing for unanticipated growth and elimination of vacated positions
- Revisions for enrollment and ADA changes

Landmark legislation passed in 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). Fiscal year 2017-2018 marked the fifth year of a projected eight year implementation of LCFF. The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF provides a per pupil base grant amount, by grand span, that is augmented by supplemental and concentration grant funding for targeted students groups in low income brackets, those that are English language learners and foster youth. The Local Control and Accountability Plan (LCAP) serves as the primary tool in aligning the District's local effort to ensure continuous improvement in all areas of student achievement and program effectiveness. The LCAP highlights how the supplemental and concentration grant funding is budgeted and spent to achieve the District goals.

Proposition 55, approved by voters in November 2016, temporarily increased personal income tax rates on high-income taxpayers until 2030. At the time, proposition 55 extended the expiring proposition 30 income tax rates. This tax revenue generates an estimated $22.9 million in annual revenue for the District.

The District reported combined fund balance in its governmental and internal service funds is $105.3 million, which is lower than the prior year's ending balance of $114.8 million. The table below illustrates the District's fund balances compared to the prior fiscal year. The decrease in the Building Fund is a result of the District spending Measure T bond funds.

Summary of Fund Balances
June 30, 2018 Compared with June 30, 2017

	June 30, 2018	June 30, 2017	Difference
General Fund	$ 49,687,430	$ 49,250,865	$ 436,565
Child Development Fund	-	-	-
Cafeteria Fund	4,742,429	3,990,208	752,221
Deferred Maintenance Fund	502,577	580,442	(77,865)
Building Fund	18,242,873	26,146,189	(7,903,316)
Capital Facilities Fund	6,846,690	5,200,753	1,645,937
County Schools Facilities Fund	780,507	5,292,106	(4,511,599)
Special Reserve Capital Outlay Fund	8,437,176	9,990,146	(1,552,970)
COP Capital Projects Fund	3,735,379	3,690,808	44,571
Bond Interest and Redemption Fund	4,506,681	3,568,301	938,380
COP Debt Service Fund	737,159	715,043	22,116
Total Governmental Funds	98,218,901	108,424,861	(10,205,960)
Self Insurance Fund	7,068,701	6,395,300	673,401
Total Governmental Activites	**$ 105,287,602**	**$ 114,820,161**	**$ (9,532,559)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investments include land, buildings and capital equipment. There are 20 school sites, a maintenance facility and the District central office building. The following table summarizes the District's assets by classification.

Capital Assets
June 30, 2018 Compared with June 30, 2017

	June 30, 2018	June 30, 2017	Difference
Land	$ 34,359,554	$ 28,461,231	$ 5,898,323
Improvement of Sites	8,169,992	7,796,468	373,524
Buildings	204,258,704	204,201,089	57,615
Equipment	9,198,423	9,083,401	115,022
Construction In Progress	17,466,720	6,775,790	10,690,930
Less: Accumulated Depreciation	(72,613,734)	(66,881,238)	(5,732,496)
Total	**$ 200,839,659**	**$ 189,436,741**	**$ 11,402,918**

Long-Term Obligations

The District's Long-Term Obligations have decreased by $2.4 million. This is largely due to the paying down of principle on the Certificates of Participation. The District continues to make all principal and interest payments as scheduled. The 2017 Other Postemployment Benefits balance was restated due to the implementation of GASB Statement No. 75. The following table represents long-term debt as compared to the prior year.

Summary of Outstanding Debt
June 30, 2018 Compared with June 30, 2017

	June 30, 2018	June 30, 2017, as restated	Difference
General Obligation Bonds Payable	$ 31,818,790	$ 31,886,153	$ (67,363)
Certificates of Participation	34,722,914	36,990,301	(2,267,387)
Capital Leases			-
Other General Long Term Debt-Loans Payable	63,000	126,000	(63,000)
Other General Long Term Debt-Early Retirement	632,500	906,176	(273,676)
Compensated Absences	98,302	79,124	19,178
Other Postemployment Benefits	17,133,738	16,894,520	239,218
Total	**$ 84,469,244**	**$ 86,882,274**	**$ (2,413,030)**

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The State of California continues to slowly come back from the recent economic struggle. With the Local Control Funding Formula (LCFF) as the vehicle to fund schools, the District is showing an increase in funding from the prior year. The Board of Education, the Superintendent and his cabinet are firm in their conservative approach to budgeting and spending in order to ensure the District's ability to remain fiscally solvent. This is a task they have accomplished without sacrificing the educational standards of the Santa Maria-Bonita School District, an undertaking to be proud of with so many school districts experiencing fiscal crisis. As a result of LCFF and the Local Control Accountability Plan (LCAP), the District is hopeful to increase services as a result of an anticipated increase in funding in future years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact Matt Beecher, Assistant Superintendent for Business Services, 708 S. Miller Street, Santa Maria, CA 93454.

SANTA MARIA-BONITA SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 105,572,982
Receivables	17,995,454
Prepaid expenses	290,609
Stores inventories	246,135
Nondepreciable capital assets	51,826,274
Capital assets being depreciated	221,627,119
Accumulated depreciation	(72,613,734)
Total Assets	324,944,839
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	982,344
Deferred outflows of resources related to pensions	60,481,155
Total Deferred Outflows of Resources	61,463,499
LIABILITIES	
Accounts payable	18,684,244
Accrued interest payable	119,800
Unearned revenue	133,334
Long-term obligations:	
Current portion of long-term obligations other than pensions	2,471,968
Noncurrent portion of long-term obligations other than pensions	81,997,276
Total Long-Term Obligations	84,469,244
Aggregate net pension liability	169,907,678
Total Liabilities	273,314,300
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	8,488,940
NET POSITION	
Net investment in capital assets	156,213,207
Restricted for:	
Debt service	5,124,040
Capital projects	7,991,625
Educational programs	7,696,788
Other activities	4,560,459
Unrestricted	(76,981,021)
Total Net Position	$ 104,605,098

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

SANTA MARIA-BONITA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 139,422,565	$ -	$ 21,509,635	$ 32,941
Instruction-related activities:				
Supervision of instruction	11,430,518		3,329,969	
Instructional library, media, and technology	3,228,684	-	586,055	-
School site administration	11,715,524	-	439,525	-
Pupil services:				
Home-to-school transportation	3,811,756	-	8,229	
Food services	10,598,757	39,939	11,300,926	-
All other pupil services	12,755,501	-	2,424,828	-
Administration:				
Data processing	1,580,715	-	-	-
All other administration	6,739,789	1,564	1,192,575	-
Plant services	19,949,128	1,822	1,057,709	-
Ancillary services	119,709	-	5,595	-
Community services	21,868	-	132,852	-
Interest on long-term obligations	2,478,062	-	-	-
Other outgo	8,573,644	-	2,466,169	-
Total Governmental Activities	$ 232,426,220	$ 43,325	$ 44,454,067	$ 32,941

General revenues and subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (117,879,989)
(8,100,549)
(2,642,629)
(11,275,999)
(3,803,527)
742,108
(10,330,673)
(1,580,715)
(5,545,650)
(18,889,597)
(114,114)
110,984
(2,478,062)
(6,107,475)
(187,895,887)
36,664,626
2,175,246
141,590,376
789,345
3,828,754
185,048,347
(2,847,540)
107,452,638
$ 104,605,098

SANTA MARIA-BONITA SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 50,290,910	$ 18,611,152	$ 29,502,123
Receivables	16,078,430	69,494	1,826,725
Due from other funds	648,330	-	335,780
Prepaid expenditures	230,898	-	59,711
Stores inventories	64,165	-	181,970
Total Assets	$ 67,312,733	$ 18,680,646	$ 31,906,309
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 17,284,498	$ 437,773	$ 841,072
Due to other funds	335,780	-	648,330
Unearned revenue	5,025	-	128,309
Total Liabilities	17,625,303	437,773	1,617,711
Fund Balances:			
Nonspendable	303,433	-	241,681
Restricted	7,696,788	18,242,873	21,531,303
Committed	-	-	502,577
Assigned	35,479,209	-	8,013,037
Unassigned	6,208,000	-	-
Total Fund Balances	49,687,430	18,242,873	30,288,598
Total Liabilities and Fund Balances	$ 67,312,733	$ 18,680,646	$ 31,906,309

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

Total Governmental Funds
$ 98,404,185
17,974,649
984,110
290,609
246,135
$ 117,899,688
$ 18,563,343
984,110
133,334
19,680,787
545,114
47,470,964
502,577
43,492,246
6,208,000
98,218,901
$ 117,899,688

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

Total Fund Balance - Governmental Funds		**$ 98,218,901**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 273,453,393	
Accumulated depreciation is	(72,613,734)	
Net Capital Assets		200,839,659
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(119,800)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		7,068,701
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	15,140,367	
Net change in proportionate share of net pension liability	12,218,010	
Difference between projected and actual earnings on pension plan investments	1,278,234	
Differences between expected and actual experience in the measurement of the total pension liability.	1,815,473	
Changes of assumptions	30,029,071	
Total Deferred Outflows of Resources Related to Pensions		60,481,155

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

SANTA MARIA-BONITA SCHOOL DISTRICT

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

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (2,193,887)	
Difference between projected and actual earnings on pension plan investments	(3,541,019)	
Differences between expected and actual experience in the measurement of the total pension liability.	(2,318,987)	
Changes of assumptions	(435,047)	
Total Deferred Inflows of Resources Related to Pensions		$ (8,488,940)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		982,344
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(169,907,678)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds (including premiums)	31,818,790	
Certificates of participation	34,722,914	
State preschool revolving loans	63,000	
Early retirement obligations	632,500	
Compensated absences	98,302	
Other postemployment benefits (OPEB) liability	17,133,738	
Total Long-Term Obligations		(84,469,244)
Total Net Position - Governmental Activities		**$ 104,605,098**

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

SANTA MARIA-BONITA SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	$ 170,125,108	$ -
Federal sources	14,172,542	-
Other State sources	15,790,408	-
Other local sources	7,199,621	279,282
Total Revenues	207,287,679	279,282
EXPENDITURES		
Current		
Instruction	127,006,726	-
Instruction-related activities:		
Supervision of instruction	10,733,723	-
Instructional library, media and technology	3,113,048	-
School site administration	11,120,857	-
Pupil services:		
Home-to-school transportation	3,734,175	-
Food services	4,185	-
All other pupil services	12,299,493	-
Administration:		
Data processing	1,072,076	-
All other administration	5,957,539	-
Plant services	17,684,589	8,296
Ancillary services	112,622	-
Community services	22,228	-
Other outgo	8,573,644	-
Facility acquisition and construction	-	8,174,302
Debt service		
Principal	63,000	-
Interest and other	-	-
Total Expenditures	201,497,905	8,182,598
Excess (Deficiency) of Revenues Over Expenditures	5,789,774	(7,903,316)
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(5,353,209)	-
Net Financing Sources (Uses)	(5,353,209)	-
NET CHANGE IN FUND BALANCES	436,565	(7,903,316)
Fund Balance - Beginning	49,250,865	26,146,189
Fund Balance - Ending	$ 49,687,430	$ 18,242,873

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

Non-Major Governmental Funds	Total Governmental Funds
$ 654,208	$ 170,779,316
11,277,513	25,450,055
2,684,049	18,474,457
5,807,517	13,286,420
20,423,287	227,990,248
1,951,551	128,958,277
248,843	10,982,566
-	3,113,048
21	11,120,878
-	3,734,175
10,516,633	10,520,818
7,980	12,307,473
-	1,072,076
567,148	6,524,687
1,603,900	19,296,785
-	112,622
-	22,228
-	8,573,644
8,867,845	17,042,147
2,267,387	2,330,387
2,484,397	2,484,397
28,515,705	238,196,208
(8,092,418)	(10,205,960)
5,353,209	5,353,209
-	(5,353,209)
5,353,209	-
(2,739,209)	(10,205,960)
33,027,807	108,424,861
$ 30,288,598	$ 98,218,901

SANTA MARIA-BONITA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (10,205,960)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 17,135,414	
Depreciation expense	(5,732,496)	
Net Expense Adjustment		11,402,918
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were special termination paid in excess of benefits earned in the amount of $273,676. Vacation earned was more than the amounts paid by $19,178.		254,498
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(8,119,608)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		743,126
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Certificates of participation		2,267,387
State preschool revolving loans		63,000
In the government-wide financial statements, debt premiums are deferred and amortized over the life of the debt using the straight line method.		
Amortization of debt premuims		67,363

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	$	6,335
An internal service fund is used by the District's management to charge the costs of certain insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		673,401
Change in Net Position of Governmental Activities	**$**	**(2,847,540)**

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

SANTA MARIA-BONITA SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 7,168,797
Receivables	20,805
Total Assets	7,189,602
LIABILITIES	
Current Liabilities	
Accounts payable	120,901
NET POSITION	
Restricted	$ 7,068,701

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

SANTA MARIA-BONITA SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 25,004,580
OPERATING EXPENSES	
Operating costs	24,386,171
Operating Income	618,409
NONOPERATING REVENUES	
Interest income	54,992
Change in Net Position	673,401
Total Net Position - Beginning	6,395,300
Total Net Position - Ending	$ 7,068,701

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

SANTA MARIA-BONITA SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 24,994,390
Cash payments to other suppliers of goods or services	(24,381,693)
Net Cash Provided by Operating Activities	612,697
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	54,992
Net Increase in Cash and Cash Equivalents	667,689
Cash and Cash Equivalents - Beginning	6,501,108
Cash and Cash Equivalents - Ending	$ 7,168,797
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 618,409
Changes in assets and liabilities:	
Receivables	(10,190)
Accounts payable	5,796
Due to other fund	(1,318)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 612,697

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Deposits and investments	$ 292,540
LIABILITIES	
Due to section 125 plan members	$ 213,218
Due to student groups	79,322
Total Liabilities	$ 292,540

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Maria-Bonita School District (the District) was organized in 1988 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates fifteen elementary schools and four junior high schools.

A reporting entity is comprised of the primary government, component unit, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Santa Maria-Bonita School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Maria-Bonita School District Capital Facilities Corporation's financial activity is presented in the financial statements as the COP Capital Projects Fund and the COP Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $1,298,704.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

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

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

COP Capital Project Fund The COP Capital Project Fund is used to account for capital projects financed by Santa Maria-Bonita School District Capital Facilities Corporation that is considered a blended component unit of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

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

COP Debt Service Fund The COP Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on cops issued by the Santa Maria-Bonita School District Capital Facilities Corporation that is considered a blended component unit of the District under generally accepted accounting principles (GAAP).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self Insurance Fund that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for contributions by employees under a Section 125 Cafeteria Plan for eligible expenses and for student body activities.

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

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

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the 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 on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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 before the eligibility requirements are met 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 they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2018, 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 the County Pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term obligations.

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

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and 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 is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $25,372,912 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are insurance 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.

Interfund Activity

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general revenues.

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 on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 105,572,982
Fiduciary funds	292,540
Total Deposits and Investments	$ 105,865,522

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 315,089
Cash in revolving	8,370
Investments with County Treasury	105,542,063
Total Deposits and Investments	$ 105,865,522

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 104,937,158	$ -	$ 104,937,158	$ -	$ -

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

Uncategorized - Investments in the Santa Barbara County Treasury Investment Pool 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.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 5,609,120	$ -	$ 1,606,287	$ -	$ 7,215,407
State Government					
State grants and entitlements	10,031,891	-	110,736	-	10,142,627
Local Sources	437,419	69,494	109,702	20,805	637,420
Total	$ 16,078,430	$ 69,494	$ 1,826,725	$ 20,805	$ 17,995,454

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 28,461,231	$ 5,898,323	$ -	$ 34,359,554
Construction in progress	6,775,790	10,831,561	140,631	17,466,720
Total Capital Assets Not Being Depreciated	35,237,021	16,729,884	140,631	51,826,274
Capital Assets being depreciated				
Land improvements	7,796,468	373,524	-	8,169,992
Buildings and improvements	204,201,089	57,615	-	204,258,704
Furniture and equipment	9,083,401	115,022	-	9,198,423
Total Capital Assets Being Depreciated	221,080,958	546,161	-	221,627,119
Less Accumulated Depreciation				
Land improvements	3,973,842	303,598	-	4,277,440
Buildings and improvements	56,415,459	4,431,745	-	60,847,204
Furniture and equipment	6,491,937	997,153	-	7,489,090
Total Accumulated Depreciation	66,881,238	5,732,496	-	72,613,734
Governmental Activities Capital Assets, Net	$ 189,436,741	$ 11,543,549	$ 140,631	$ 200,839,659

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	$ 4,829,436
Home-to-school transportation	89,759
Plant services	338,247
Data processing	465,404
All other general administration	9,650
Total Depreciation Expenses, Governmental Activities	$ 5,732,496

NOTE 6 - PREPAID EXPENDITURES (EXPENSES)

Prepaid expenditures (expenses) at June 30, 2018, consist of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Various vendors	$ 230,898	$ -	$ 230,898
Lease leaseback payment	-	59,711	59,711
Total Governmental Funds	$ 230,898	$ 59,711	$ 290,609

NOTE 7 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 648,330	$ 335,780
Non-Major Governmental Funds		
Child Development	331,537	156,442
Cafeteria	4,243	430,749
Capital Facilities	-	61,139
Total Non-Major Governmental Funds	335,780	648,330
Total All Funds	$ 984,110	$ 984,110

The General Fund owes the Child Development Non-Major Governmental Fund for salaries and preschool support.	$ 331,537
The General Fund owes the Cafeteria Non-Major Governmental Fund for Café expenditures.	4,243
The Child Development Non-Major Governmental Fund owes the General Fund for OPEB and indirect costs.	156,442
The Cafeteria Non-Major Governmental Fund owes the General Fund for OPEB and indirect costs.	430,749
The Capital Facilities Non-Major Governmental Fund owes the General Fund for a three percent administration fee.	61,139
Total	$ 984,110

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2018, consist of the following:

The General Fund transferred to the Child Development Non-Major Governmental Fund for preschool support.	$ 331,536
The General Fund transferred to the Special Reserve Capital Outlay Non-Major Governmental Fund for lease leaseback payments.	1,553,316
The General Fund transferred to the COP Debt Service Non-Major Governmental Fund for debt service payments.	3,468,357
Total	$ 5,353,209

NOTE 8 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	$ 11,010,319	$ 437,773	$ 841,072	$ 12,289,164	$ 120,901	$ 12,410,065
Accrued salaries and benefits	4,386,888	-	-	4,386,888	-	4,386,888
State apportionment	1,887,291	-	-	1,887,291	-	1,887,291
Total	$ 17,284,498	$ 437,773	$ 841,072	$ 18,563,343	$ 120,901	$ 18,684,244

NOTE 9 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 5,025	$ -	$ 5,025
State sources	-	128,309	128,309
Total Governmental Funds	$ 5,025	$ 128,309	$ 133,334

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2017, as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds					
2015 Issuance	$ 30,000,000	$ -	$ -	$ 30,000,000	$ -
Premium on issuance	1,886,153	-	67,363	1,818,790	-
Certificates of Participation [1]					
Series 2013 new construction	21,815,000	-	1,095,000	20,720,000	1,115,000
Series 2013 refunding	15,175,301	-	1,172,387	14,002,914	1,209,968
State preschool revolving loans	126,000	-	63,000	63,000	63,000
Early retirement incentives					
PARS	624,093	-	624,093	-	-
ERIP	282,083	535,000	184,583	632,500	84,000
Compensated absences - net	79,124	19,178	-	98,302	-
Other postemployment benefits	16,894,520	239,218	-	17,133,738	-
Total	$ 86,882,274	$ 793,396	$ 3,206,426	$ 84,469,244	$ 2,471,968

[1] Issued through the Santa Maria-Bonita Capital Facilities Corporation.

The general obligation bonds will be paid through the Bond Interest and Redemption Fund with local property tax revenues. The COP Debt Service Fund makes payments for the certificates of participation. The General Fund makes payments for the State portables. The compensated absences, early retirement obligations, and other postemployment benefits will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rates %	Original Issue	Bonds Outstanding July 1, 2017	Redeemed	Bonds Outstanding June 30, 2018
8/7/2014	8/1/2044	1.65-3.81	$ 30,000,000	$ 30,000,000	$ -	$ 30,000,000
Premium			2,020,879	1,886,153	67,363	1,818,790
Total			$ 32,020,879	$ 31,886,153	$ 67,363	$ 31,818,790

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ -	$ 1,282,656	$ 1,282,656
2020	-	1,282,656	1,282,656
2021	-	1,282,656	1,282,656
2022	45,000	1,282,206	1,327,206
2023	100,000	1,279,757	1,379,757
2024-2028	1,495,000	6,239,410	7,734,410
2029-2033	3,765,000	5,598,659	9,363,659
2034-2038	7,010,000	4,328,903	11,338,903
2039-2043	11,505,000	2,252,323	13,757,323
2044-2045	6,080,000	222,141	6,302,141
Total	$ 30,000,000	$ 25,051,367	$ 55,051,367

Certificates of Participation

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rates %	Original Issue	Certificates Outstanding July 1, 2017	Redeemed	Certificates Outstanding June 30, 2018
4/16/2013	6/1/2033	1.0-4.11	$ 25,915,000	$ 21,815,000	$ 1,095,000	$ 20,720,000
3/1/2013	6/1/2028	3.18	19,408,712	15,175,301	1,172,387	14,002,914
Total			$ 45,323,712	$ 36,990,301	$ 2,267,387	$ 34,722,914

Certificates of Participation - New Construction

The certificates mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 1,115,000	$ 705,819	$ 1,820,819
2020	1,140,000	683,519	1,823,519
2021	1,165,000	656,444	1,821,444
2022	1,195,000	625,863	1,820,863
2023	1,230,000	590,013	1,820,013
2024-2028	6,770,000	2,335,763	9,105,763
2029-2033	8,105,000	998,200	9,103,200
Total	$ 20,720,000	$ 6,595,621	$ 27,315,621

Certificates of Participation - 2013 Refunding

The certificates mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 1,209,968	$ 435,671	$ 1,645,639
2020	1,248,753	396,885	1,645,638
2021	1,288,782	356,857	1,645,639
2022	1,330,094	315,545	1,645,639
2023	1,372,730	272,909	1,645,639
2024-2028	7,552,587	675,607	8,228,194
Total	$ 14,002,914	$ 2,453,474	$ 16,456,388

State Preschool Revolving Loan

The District was approved for a loan of $630,000 from the California Department of Education for the purpose of construction of three preschool sites. The loan is at zero percent interest and is due in annual payments of $63,000 through fiscal year 2018-2019. The loan balance at June 30, 2018, is $63,000.

Schedule of Remaining District Payments:

Year Ending June 30,	Principal
2019	$ 63,000

Early Retirement Incentive Obligations

The District provides the following special termination benefits for early retirement:

Public Agency Retirement Services Program

The District provided employees age 55 and over with a minimum of ten years of full-time service who elected to retire before June 2008, with voluntary resignation incentive income. Eligible retirees qualified for the plan and are receiving varying amounts per participant annually for five years. The outstanding liability for this plan was paid in full at June 30, 2018.

Early Retirement Incentive Program

The District provides an early retirement program to certificated, management and confidential employees. To qualify participants must have served ten years full-time in the District and be fifty-five years of age or older. Participants retiring at ages 55 through 58 can receive $12,000 per year in exchange for days of work for the District after retirement. The number of days of work is limited by the collective bargaining agreement and/or board policy stipulations. Participation is limited to a maximum of five years. Participants retiring from the age of 59 to 62 are eligible to receive a set amount of $45,000 at age 59, $30,000 at age 60, $15,000 at age 61 or $7,000 at age 62. Eligible retirees qualified for the plan and are receiving varying amounts per participant annually. The outstanding liability for this plan was $632,500 at June 30, 2018.

Payments are as follows:

Year Ending June 30,	Required Payment
2019	$ 271,000
2020	151,500
2021	81,000
2022	69,000
2023	60,000
Total	$ 632,500

Compensated Absences

The compensated absence obligation for the District at June 30, 2018, amounted to $98,302.

Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 17,133,738	$ 982,344	$ 1,250,816

The details of the plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	107
Active employees	1,094
Total	1,201

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Santa Maria Elementary Education Association (SMEEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, SMEEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid $982,344 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $17,133,738 was measured as of June 30, 2017, as determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.0 percent, average, including inflation
Discount rate	3.13 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	8.0 percent for 2016; 7.0 percent for 2017; 6.0 percent for 2018; and 5.0 percent for 2019 and later

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2016 valuation were based on the results of an actual experience study for the period July 1, 2014 to June 30, 2016.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 16,894,520
Service cost	737,727
Interest	513,089
Benefit payments	(1,011,598)
Net change in total OPEB liability	239,218
Balance at June 30, 2017	$ 17,133,738

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.13%)	$ 17,975,348
Current discount rate (3.13%)	17,133,738
1% increase (4.13%)	16,292,643

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (7.0% decreasing to 4.0%)	$ 16,994,350
Current healthcare cost trend rate (8.0% decreasing to 5.0%)	17,133,738
1% increase (9.0% decreasing to 6.0%)	17,291,580

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $1,250,816. At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of $982,344.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 8,370	$ -	$ -	$ 8,370
Stores inventories	64,165	-	181,970	246,135
Prepaid expenditures	230,898	-	59,711	290,609
Total Nonspendable	303,433	-	241,681	545,114
Restricted				
Legally restricted programs	7,696,788	-	4,560,459	12,257,247
Capital projects	-	18,242,873	11,727,004	29,969,877
Debt services	-	-	5,243,840	5,243,840
Total Restricted	7,696,788	18,242,873	21,531,303	47,470,964
Committed				
Deferred maintenance program	-	-	502,577	502,577
Assigned				
Adoption of science materials 2020	2,500,000	-	-	2,500,000
Adoption of social studies materials 2019	2,500,000	-	-	2,500,000
Reserve LCFF growth (BP3100)	13,890,059	-	-	13,890,059
One-time funds for mandate claims	8,875,521	-	-	8,875,521
MAA Sp Ed/Nursing	1,132,168	-	-	1,132,168
Miscellaneous grants and donations	96,332	-	-	96,332
Reserve for 2017-2018 1.5% settlement	2,922,392	-	-	2,922,392
Tech, outreach, health and wellness	2,264,033	-	-	2,264,033
Student housing needs	1,298,704	-	-	1,298,704
Physical education changing facility	-	-	4,314,960	4,314,960
Future student housing needs	-	-	3,698,077	3,698,077
Total Assigned	35,479,209	-	8,013,037	43,492,246
Unassigned				
Reserve for economic uncertainties	6,208,000	-	-	6,208,000
Total	$ 49,687,430	$ 18,242,873	$ 30,288,598	$ 98,218,901

NOTE 12 - RISK MANAGEMENT

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California (SISC III) to provide employee medical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a fund from which claim payments are made for the District. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with the Self-Insured Schools of California (SISC II) for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District participated in the Self-Insurance Program for Employees (SIPE), an insurance purchasing pool. The intent of SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SIPE. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SIPE. Participation in SIPE is limited to districts that can meet SIPE selection criteria.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 132,957,167	$ 47,789,218	$ 8,053,893	$ 15,673,224
CalPERS	36,950,511	12,691,937	435,047	7,586,751
Total	$ 169,907,678	$ 60,481,155	$ 8,488,940	$ 23,259,975

The details of each plan are as follows:

<u>California State Teachers' Retirement System (CalSTRS)</u>

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $11,880,095.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 132,957,167
State's proportionate share of the net pension liability associated with the District	78,656,337
Total	$ 211,613,504

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1438 percent and 0.1434 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2018, the District recognized pension expense of $15,673,224. In addition, the District recognized pension expense and revenue of $7,917,516 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,880,095	$ -
Net change in proportionate share of net pension liability	10,785,567	2,193,887
Difference between projected and actual earnings on pension plan investments	-	3,541,019
Differences between expected and actual experience in the measurement of the total pension liability	491,688	2,318,987
Changes of assumptions	24,631,868	-
Total	$ 47,789,218	$ 8,053,893

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

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

Year Ended June 30,	Deferred Inflows of Resources
2019	$ (2,943,781)
2020	2,227,574
2021	321,202
2022	(3,146,014)
Total	$ (3,541,019)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 5,904,819
2020	5,904,819
2021	5,904,819
2022	5,904,821
2023	3,545,027
Thereafter	4,231,944
Total	$ 31,396,249

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 195,223,331
Current discount rate (7.10%)	132,957,167
1% increase (8.10%)	82,423,955

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $3,260,272.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $36,950,511. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1548 percent and 0.1537 percent, resulting in a net increase in the proportionate share of 0.0011 percent.

For the year ended June 30, 2018, the District recognized pension expense of $7,586,751. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,260,272	$ -
Net change in proportionate share of net pension liability	1,432,443	-
Difference between projected and actual earnings on pension plan investments	1,278,234	-
Differences between expected and actual experience in the measurement of the total pension liability	1,323,785	-
Changes of assumptions	5,397,203	435,047
Total	$ 12,691,937	$ 435,047

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

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

Year Ended June 30,	Deferred Outflows of Resources
2019	$ (34,636)
2020	1,474,806
2021	538,026
2022	(699,962)
Total	$ 1,278,234

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 3,084,952
2020	2,726,769
2021	1,906,663
Total	$ 7,718,384

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 54,366,043
Current discount rate (7.15%)	36,950,511
1% increase (8.15%)	22,502,869

Alternative Retirement Plan

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Self-Insured Schools of California (SISC) defined benefit plan as its alternative plan. For all employees who were members in the plan prior to January 1, 2014, the District is required to make contributions of 3.7 percent of the employees' salary. For all employees who entered the plan subsequent to January 1, 2014, the District is required to make contributions of 2.1 percent of the employees' salary and the employee is required to contribute 1.6 percent. There is no specified length of time an employee must work for the District in order to receive benefits. The benefits are 100 percent vested from the date of participation. The District made contributions of $309,030 to this plan during the fiscal year ended June 30, 2018, of which $95,767 was the employee portion. Copies of the SISC defined benefit plan annual financial report may be obtained from the SISC executive office.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $6,396,447 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

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

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Construction of a six-classroom buildings at two district sites.	$ 387,906	August 2018
Painting at three district sites.	285,760	August 2018
Nitrate removal treatment system	122,738	October 2018
Paving project	295,595	October 2018
Fire alarm and intercom replacement	495,265	December 2018
Total	$ 1,587,264	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Self Insured Schools of California II (SISC II), Self Insured Schools of California III (SISC III), and the Self-Insurance Program for Employees (SIPE) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation and property liability coverage. The relationships between the District and pools are such that they are not component units of the District for financial reporting purposes.

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

The District has no appointed members to the Governing Board of SISC II.

During the year ended June 30, 2018, the District made payments of $731,829 to SISC II for liability and property insurance.

The District has no appointed members to the Governing Board of SISC III.

During the year ended June 30, 2018, the District made payments of $17,431,208 to SISC III for health insurance.

The District has no appointed members to the Governing Board of SIPE.

During the year ended June 30, 2018, the District made payments of $1,962,899 to SIPE for workers' compensation insurance.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 121,757,064
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(14,304,426)
Net Position - Beginning as Restated	$ 107,452,638

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MARIA-BONITA SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 157,003,589	$ 166,813,009	$ 170,125,108	$ 3,312,099
Federal sources	13,339,199	15,542,868	14,172,542	(1,370,326)
Other State sources	15,693,308	15,871,993	15,790,408	(81,585)
Other local sources	1,506,833	7,648,520	7,199,621	(448,899)
Total Revenues [1]	187,542,929	205,876,390	207,287,679	1,411,289
EXPENDITURES				
Current				
Certificated salaries	83,786,139	84,724,757	84,151,686	573,071
Classified salaries	26,496,092	25,865,846	25,532,350	333,496
Employee benefits	42,678,064	44,951,028	44,221,932	729,096
Books and supplies	13,713,795	15,305,962	12,318,019	2,987,943
Services and operating expenditures	24,441,434	30,393,939	25,320,504	5,073,435
Other outgo	7,108,953	8,212,870	8,093,510	119,360
Capital outlay	179,245	1,929,687	1,796,904	132,783
Debt service - principal	63,000	63,000	63,000	-
Total Expenditures [1]	198,466,722	211,447,089	201,497,905	9,949,184
Excess (Deficiency) of Revenues Over Expenditures	(10,923,793)	(5,570,699)	5,789,774	11,360,473
Other Financing Uses				
Transfers out	(5,713,752)	(5,225,273)	(5,353,209)	(127,936)
NET CHANGE IN FUND BALANCES	(16,637,545)	(10,795,972)	436,565	11,232,537
Fund Balance - Beginning	49,250,865	49,250,865	49,250,865	-
Fund Balance - Ending	$ 32,613,320	$ 38,454,893	$ 49,687,430	$ 11,232,537

[1] Due to the consolidation of the Fund 17, Special Reserve Non-Capital Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SANTA MARIA-BONITA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 737,727
Interest	513,089
Benefit payments	(1,011,598)
Net change in total OPEB liability	239,218
Total OPEB liability - beginning	16,894,520
Total OPEB liability - ending	$ 17,133,738
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

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

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

See accompanying note to required supplementary information.

SANTA MARIA-BONITA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1438%	0.1434%
District's proportionate share of the net pension liability	$ 132,957,167	$ 115,950,561
State's proportionate share of the net pension liability associated with the District	78,656,337	66,008,586
Total	$ 211,613,504	$ 181,959,147
District's covered - employee payroll	$ 76,456,002	$ 72,537,316
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	173.90%	159.85%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1548%	0.1537%
District's proportionate share of the net pension liability	$ 36,950,511	$ 30,360,854
District's covered - employee payroll	$ 19,527,412	$ 18,762,539
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	189.22%	161.82%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

	2016	2015
	0.1475%	0.1222%
	$ 99,312,051	$ 71,433,755
	52,525,127	43,134,786
	$ 151,837,178	$ 114,568,541
	$ 64,413,378	$ 58,086,921
	154.18%	122.98%
	74%	77%
	0.1406%	0.1314%
	$ 20,717,594	$ 14,920,929
	$ 15,693,747	$ 13,778,885
	132.01%	108.29%
	79%	83%

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 11,880,095	$ 9,618,165
Contributions in relation to the contractually required contribution	11,880,095	9,618,165
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 82,329,141	$ 76,456,002
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 3,260,272	$ 2,711,967
Contributions in relation to the contractually required contribution	3,260,272	2,711,967
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 20,992,029	$ 19,527,412
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

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

See accompanying note to required supplementary information.

2016		2015	
$	7,783,254	$	5,719,908
	7,783,254		5,719,908
$	-	$	-
$	72,537,316	$	64,413,378
	10.73%		8.88%
$	2,222,798	$	1,847,311
	2,222,798		1,847,311
$	-	$	-
$	18,762,539	$	15,693,747
	11.847%		11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

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

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

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

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

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

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

Supplementary Information

SANTA MARIA-BONITA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
Title I, Part A, Basic	84.010	14329	$ 4,659,267
Title I, Part C, Migrant Education-Regular	84.011	14326	3,607,502
Title I, Part C, Migrant Education-Even Start	84.011	14768	381,880
Title II - Part A, Supporting Effective Instruction	84.367	14341	647,410
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	110,918
Title III - English Language Acquisition - LEP	84.365	14346	807,252
Title III - English Language Acquisition - IEP	84.365	15146	46,509
Title X, McKinney Vento Homeless Assistance	84.196	14332	162,061
Teacher Quality Partnership Program	84.336S	N/A	4,830
Special Education Cluster			
Special Education, Basic Local Assistance	84.027	13379	2,667,464
Special Education, Basic - Preschool Section 619	84.173	13430	153,093
Special Education, Basic - Preschool Section 611	84.027A	13682	651,524
Subtotal Special Education Cluster			3,472,081
Subtotal U.S. Department of Education			13,899,710
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster			
Child Nutrition School Programs-Needy Breakfast	10.553	13526	1,862,202
Child Nutrition School Programs-Lunch	10.555	13391	7,201,477
Meals Supplements-Snack	10.555	13391	258,465
Food Distribution-Commodities	10.555	13391	520,543
Subtotal Child Nutrition Cluster			9,842,687
Child Nutrition: Cash In-Lieu of Commodities	10.558	13389	60,880
Child Nutrition: Child and Adult Food Care Program	10.558	13666	949,965
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	423,981
Subtotal U.S. Department of Agriculture			11,277,513

N/A - Not Applicable

See accompanying note to supplementary information.

SANTA MARIA-BONITA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Administrative Assistance	93.778	10060	$ 272,832
Subtotal U.S. Department of Health and Human Services			272,832
Total Expenditures of Federal Awards			$ 25,450,055

N/A - Not Applicable

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Santa Maria-Bonita School District began operations on July 1, 1988, when the Santa Maria Elementary School District and the Bonita School District merged. The District operates sixteen elementary schools and four junior high schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ricky Lara	President	2018
Vedamarie Alvarez Flores	Vice President	2018
John Hollinshead	Clerk	2020
JoAnn Oliver	Member	2020
Linda Cordero	Member	2020

ADMINISTRATION

Luke Ontiveros	Superintendent
Matthew Beecher	Assistant Superintendent for Business Services
Patty Grady	Assistant Superintendent for Human Resources
Mark Muller	Assistant Superintendent of Instructional Services

See accompanying note to supplementary information.

SANTA MARIA-BONITA SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	7,705.30	7,672.99
Fourth through sixth	5,426.23	5,407.52
Seventh and eighth	3,413.84	3,388.97
Total Regular ADA	16,545.37	16,469.48
Extended Year Special Education		
Transitional kindergarten through third	10.18	10.18
Fourth through sixth	5.71	5.71
Seventh and eighth	2.33	2.33
Total Extended Year Special Education	18.22	18.22
Total ADA	16,563.59	16,487.70

See accompanying note to supplementary information.

SANTA MARIA-BONITA SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-1987 Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,000	180	Complied
Grades 1 - 3	50,400			
Grade 1		54,077	180	Complied
Grade 2		54,077	180	Complied
Grade 3		54,697	180	Complied
Grades 4 - 8	54,000			
Grade 4		54,697	180	Complied
Grade 5		54,697	180	Complied
Grade 6		54,697	180	Complied
Grade 7		62,640	180	Complied
Grade 8		62,640	180	Complied

See accompanying note to supplementary information.

SANTA MARIA-BONITA SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	Major Fund	Non-Major Funds	
	Building Fund	Deferred Maintenance Fund	County School Facilities Fund
FUND BALANCE			
Balance, June 30, 2018, Unaudited Actuals	$ 18,164,810	$ 124,983	$ 684,256
Decrease in:			
Accounts payable	78,063	377,594	96,251
Balance, June 30, 2018, Audited Financial Statement	$ 18,242,873	$ 502,577	$ 780,507

See accompanying note to supplementary information.

SANTA MARIA-BONITA SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND [3]				
Revenues and other sources	$ 213,410,993	$ 207,272,183	$ 199,689,546	$ 191,101,749
Expenditures	213,822,135	201,497,905	186,050,358	166,359,034
Other uses and transfers out	3,898,351	5,353,209	5,413,915	19,362,240
Total Expenditures and Other Uses	217,720,486	206,851,114	191,464,273	185,721,274
INCREASE/(DECREASE) IN FUND BALANCE	$ (4,309,493)	$ 421,069	$ 8,225,273	$ 5,380,475
ENDING FUND BALANCE	$ 44,079,233	$ 48,388,726	$ 47,967,657	$ 39,742,384
AVAILABLE RESERVES [2]	$ 6,532,615	$ 6,208,000	$ 5,745,000	$ 22,555,453
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.0%	3.0%	3.0%	12.1%
LONG-TERM OBLIGATIONS [4]	Not Available	$ 84,469,244	$ 86,882,274	$ 75,542,020
AVERAGE DAILY ATTENDANCE AT P-2	16,564	16,564	16,311	16,040

The General Fund balance has increased by $8,646,342 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $4,309,493 (8.91 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $8,927,224 over the past two years.

Average daily attendance has increased by 524 over the past two years. No change in ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

[3] General Fund amounts do not include activity related to the consolidation of Fund 17, Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

[4] The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

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SANTA MARIA-BONITA SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 1	$ 3,320,437	$ 822,422
Receivables	466	1,726,407	3,093
Due from other funds	331,537	4,243	-
Prepaid expenses	-	-	-
Stores inventories	-	181,970	-
Total Assets	$ 332,004	$ 5,233,057	$ 825,515
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 47,253	$ 59,879	$ 322,938
Due to other funds	156,442	430,749	-
Unearned revenue	128,309	-	-
Total Liabilities	332,004	490,628	322,938
Fund Balances:			
Nonspendable	-	181,970	-
Restricted	-	4,560,459	-
Committed	-	-	502,577
Assigned	-	-	-
Total Fund Balances	-	4,742,429	502,577
Total Liabilities and Fund Balances	$ 332,004	$ 5,233,057	$ 825,515

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	COP Capital Projects Fund	Bond Interest and Redemption Fund
$ 6,995,903	$ 1,066,271	$ 8,351,546	$ 3,721,696	$ 4,491,400
24,200	6,276	32,607	13,683	15,281
-	-	-	-	-
-	-	59,711	-	-
-	-	-	-	-
$ 7,020,103	$ 1,072,547	$ 8,443,864	$ 3,735,379	$ 4,506,681
$ 112,274	$ 292,040	$ 6,688	$ -	$ -
61,139	-	-	-	-
-	-	-	-	-
173,413	292,040	6,688	-	-
-	-	59,711	-	-
6,846,690	780,507	364,428	3,735,379	4,506,681
-	-	-	-	-
-	-	8,013,037	-	-
6,846,690	780,507	8,437,176	3,735,379	4,506,681
$ 7,020,103	$ 1,072,547	$ 8,443,864	$ 3,735,379	$ 4,506,681

SANTA MARIA-BONITA SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	COP Debt Service Fund	Total Non-Major Governmental Funds
ASSETS		
Deposits and investments	$ 732,447	$ 29,502,123
Receivables	4,712	1,826,725
Due from other funds	-	335,780
Prepaid expenses	-	59,711
Stores inventories	-	181,970
Total Assets	$ 737,159	$ 31,906,309
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ -	$ 841,072
Due to other funds	-	648,330
Unearned revenue	-	128,309
Total Liabilities	-	1,617,711
Fund Balances:		
Nonspendable	-	241,681
Restricted	737,159	21,531,303
Committed	-	502,577
Assigned	-	8,013,037
Total Fund Balances	737,159	30,288,598
Total Liabilities and Fund Balances	$ 737,159	$ 31,906,309

See accompanying note to supplementary information.

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SANTA MARIA-BONITA SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	$ -	$ -	$ 654,208
Federal sources	-	11,277,513	-
Other State sources	1,954,063	721,765	-
Other local sources	2,092	98,684	9,089
Total Revenues	1,956,155	12,097,962	663,297
EXPENDITURES			
Current			
Instruction	1,951,551	-	-
Instruction-related activities:			
Supervision of instruction	248,843	-	-
School site administration	21	-	-
Pupil services:			
Food services	-	10,516,633	-
All other pupil services	7,980	-	-
Administration:			
All other administration	78,064	402,070	-
Plant services	1,232	308,265	741,162
Facility acquisition and construction	-	118,773	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,287,691	11,345,741	741,162
Excess (Deficiency) of Revenues Over Expenditures	(331,536)	752,221	(77,865)
Other Financing Sources			
Transfers in	331,536	-	-
NET CHANGE IN FUND BALANCES	-	752,221	(77,865)
Fund Balance - Beginning	-	3,990,208	580,442
Fund Balance - Ending	$ -	$ 4,742,429	$ 502,577

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	COP Capital Projects Fund	Bond Interest and Redemption Fund
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	(8,516)	-	-	16,737
2,110,666	41,458	1,273,771	44,571	2,205,069
2,110,666	32,942	1,273,771	44,571	2,221,806
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
87,014	-	-	-	-
149,828	-	403,413	-	-
227,887	4,544,541	3,976,644	-	-
-	-	-	-	-
-	-	-	-	1,283,426
464,729	4,544,541	4,380,057	-	1,283,426
1,645,937	(4,511,599)	(3,106,286)	44,571	938,380
-	-	1,553,316	-	-
1,645,937	(4,511,599)	(1,552,970)	44,571	938,380
5,200,753	5,292,106	9,990,146	3,690,808	3,568,301
$ 6,846,690	$ 780,507	$ 8,437,176	$ 3,735,379	$ 4,506,681

SANTA MARIA-BONITA SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	COP Debt Service Fund	Total Non-Major Governmental Funds
REVENUES		
Local Control Funding Formula	$ -	$ 654,208
Federal sources	-	11,277,513
Other State sources	-	2,684,049
Other local sources	22,117	5,807,517
Total Revenues	22,117	20,423,287
EXPENDITURES		
Current		
Instruction	-	1,951,551
Instruction-related activities:		
Supervision of instruction	-	248,843
School site administration	-	21
Pupil services:		
Food services	-	10,516,633
All other pupil services	-	7,980
Administration:		
All other administration	-	567,148
Plant services	-	1,603,900
Facility acquisition and construction	-	8,867,845
Debt service		
Principal	2,267,387	2,267,387
Interest and other	1,200,971	2,484,397
Total Expenditures	3,468,358	28,515,705
Excess (Deficiency) of Revenues Over Expenditures	(3,446,241)	(8,092,418)
Other Financing Sources		
Transfers in	3,468,357	5,353,209
NET CHANGE IN FUND BALANCES	22,116	(2,739,209)
Fund Balance - Beginning	715,043	33,027,807
Fund Balance - Ending	$ 737,159	$ 30,288,598

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the 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 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.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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 Maria-Bonita School District
Santa Maria, 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, and the aggregate remaining fund information of Santa Maria-Bonita School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Santa Maria-Bonita School District's basic financial statements, and have issued our report thereon dated December 3, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Maria-Bonita School 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 Santa Maria-Bonita School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Maria-Bonita School District's internal control.

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

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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 Santa Maria-Bonita School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Santa Maria-Bonita School District in a separate letter dated December 3, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 3, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

NDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Santa Maria-Bonita School District
Santa Maria, California

Report on Compliance for Each Major Federal Program

We have audited Santa Maria-Bonita 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 Santa Maria-Bonita School District's major Federal programs for the year ended June 30, 2018. Santa Maria-Bonita School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Santa Maria-Bonita School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 3, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Santa Maria-Bonita School District
Santa Maria, California

Report on State Compliance

We have audited Santa Maria-Bonita School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Santa Maria-Bonita School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Santa Maria-Bonita School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Santa Maria-Bonita School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Santa Maria-Bonita School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Santa Maria-Bonita School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
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 procedures for Independent Study because the independent study ADA was under the level that requires testing.

We did not perform Continuation Education procedures because the program is not offered by the District.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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

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

The District does not offer an apprenticeship program; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

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

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 3, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA MARIA-BONITA SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs	

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition
84.365	Title III, IEP

Dollar threshold used to distinguish between Type A and Type B programs:	$ 763,502
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

SANTA MARIA-BONITA SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SANTA MARIA-BONITA SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings reported in the prior year's schedule of financial statement findings.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

Governing Board
Santa Maria-Bonita School District
Santa Maria, California

In planning and performing our audit of the financial statements of Santa Maria-Bonita School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 3, 2018, on the government-wide financial statements of the District.

EL CAMINO JR. HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During our audit, we found that the bookkeeper does not always write receipts for funds collected. Any time that the bookkeeper receives money (cash or checks), that collection should be logged in the primary receipt book even if there is no individual present to give a receipt copy to.

Recommendation

Upon receipt of any funds (cash and checks), the bookkeeper should write a receipt in the primary receipt book. This is required even if monies are received through the mail and there is no individual present to give a receipt copy to. When funds are received from teachers/advisors along with sub-receipts or a log, the bookkeeper should verify that the sub-receipts or log received agree with the amount of funds turned in and ensure that the sub-receipts are in chronological and numeric order. Once verified, the bookkeeper should issue a receipt back to the teacher/advisor from the primary receipt book.

Cash Disbursements

Observation

During our audit, we found that the site is not using purchase requisitions to obtain approvals prior to the purchase of goods and services. Instead, a reimbursement request form is being completed after purchases are made as authorization. By obtaining prior authorization, it can then be determined if expenditures are allowable, conform to the various ASB club budgets, and if the clubs have sufficient funds to afford the expenditure.

6051 N. Fresno St., Suite 101, Fresno, CA 93710 P 559.248.0871 F 559.248.0875 W vtdcpa.com

Governing Board
Santa Maria-Bonita School District

Recommendation

In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to items being purchased by using a purchase requisition form.

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 3, 2018

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series 2019 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2019 Bonds in substantially the following form:

[Date of Delivery]

Santa Maria-Bonita School District
Santa Maria, California

Santa Maria-Bonita School District
(County of Santa Barbara and County of San Luis Obispo, California)
General Obligation Bonds, Election of 2014, Series 2019
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Santa Maria-Bonita School District (the "District"), which is located in the County of Santa Barbara and the County of San Luis Obispo (collectively, the "Counties"), in connection with the issuance by the District of $15,000,000 aggregate principal amount of bonds designated as "Santa Maria-Bonita School District (County of Santa Barbara and County of San Luis Obispo, California) General Obligation Bonds, Election of 2014, Series 2019" (the "Series 2019 Bonds"), representing part of an issue in the aggregate principal amount of $45,000,000 authorized at an election held in the District on November 4, 2014. The Series 2019 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on March 13, 2019 (the "Resolution").

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the Counties and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2019 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2019 Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated April 11, 2019, or other offering material relating to the Series 2019 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2019 Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County of Santa Barbara and the Board of Supervisors of San Luis Obispo, respectively, have power and are obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries that is located within such county and subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2019 Bonds and the interest thereon.

4. Interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Santa Maria-Bonita School District (the "District") in connection with the issuance of $15,000,000 aggregate principal amount of Santa Maria-Bonita School District (County of Santa Barbara and County of San Luis Obispo, California) General Obligation Bonds, Election of 2014, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on March 13, 2019 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and 5(b)(viii), 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 defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated April 11, 2019 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the District's fiscal year ends on June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than April 1, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; 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 to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, 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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's outstanding debt.

(iii) Information regarding total assessed valuation of taxable properties within the District and the District's total property tax levy, in each case for the current fiscal year, if and to the extent provided to the District by the counties in which the District is located (the "Counties").

(iv) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District, if and to the extent provided to the District by the Counties.

(v) If either of the Counties terminates its Teeter Plan, information regarding total secured tax charges and delinquencies on taxable properties within the territory of the District in such county, if and to the extent provided to the District by such county.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, 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.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of "Financial Obligation" in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No.

34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in a filing with the MSRB.

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 such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices.

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 Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. <u>Additional Information</u>. 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 required to be filed pursuant to this Disclosure Certificate, 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 in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. <u>Default</u>. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for Santa Barbara County or in U.S. District Court in or nearest to Santa Barbara County. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. <u>Duties, Immunities and Liabilities of Dissemination Agent</u>. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April 25, 2019

SANTA MARIA-BONITA SCHOOL DISTRICT

By: ___________________________________

ACCEPTED AND AGREED TO:

FIELDMAN, ROLAPP & ASSOCIATES, INC. DOING BUSINESS AS APPLIED BEST PRACTICES, as Dissemination Agent

By:

Authorized Signatory

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	SANTA MARIA-BONITA SCHOOL DISTRICT
Name of Issue:	Santa Maria-Bonita School District (County of Santa Barbara and County of San Luis Obispo, California) General Obligation Bonds, Election of 2014, Series 2019
Date of Issuance:	April 25, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated April 25, 2019. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

SANTA MARIA-BONITA SCHOOL DISTRICT

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APPENDIX E

COUNTY OF SANTA BARBARA INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL

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SANTA BARBARA COUNTY

TREASURER

INVESTMENT POLICY

STATEMENT

July 2018

TABLE OF CONTENTS

INTRODUCTION:

The County of Santa Barbara’s Investment Policy has been prepared in accordance with State law. This policy is presented annually to the Treasury Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code. The County establishes investment policies that meet its current investment goals. The County may change this policy as its investment objectives change.

I. POLICY STATEMENT

The purpose of this Investment Policy is to provide a basis for the implementation and management of a prudent, conservative investment program. It is the policy of the Santa Barbara County Treasurer (the Treasurer) to invest public funds in a manner which provides the maximum security of principal invested with secondary emphasis on achieving the highest return, while meeting the daily cash flow needs of the Investment Pool participants and conforming to all applicable State statutes and County resolutions governing the investment of public funds.

As an elected official of the County of Santa Barbara, the Treasurer must manage public monies in a way that is consistent with investment oversight and sound investment practices. To have a policy which only concerns itself with maximizing return is reckless. The basic concept of investment management is the risk/reward relationship. A higher promised return on any investment may indicate a higher level of risk. Risk management must be an integral part of any prudent investment policy. Risk management must include adequate internal controls so Investment Pool participants and the public have confidence that public monies are secure. Though all investments contain a degree of risk, the proper exercise of prudence, the maintenance of a high level of ethical standards, and the proper delegation of authority reduces the potential for loss.

II. PURPOSES

This Investment Policy is set forth by the Treasurer for the following purposes:

A. To implement the investment program in accordance with its legislative parameters and the authority to invest which is hereby delegated to the Treasurer by the Board of Supervisors;

B. To establish a clear understanding for the Board of Supervisors, County management, responsible employees, citizens, and third parties of the objectives, policies and guidelines for the investment of County idle and surplus funds;

C. To offer guidance to investment staff and any external investment advisors on the investment of the Investment Pool.

III. OBJECTIVES

The objectives of this Investment Policy are, in order of priority:

A. Safety of principal. The primary objective of the Treasurer's investment program is to safeguard investment principal by mitigating exposure to risk factors, including, but not limited to, market (interest rate) risk, credit risk, and reinvestment risk. Specific risk parameters are set forth in Sections XII and XIII.

B. Maintenance of sufficient liquidity to meet cash flow needs.

C. Attainment of a "market average rate of return" consistent with the primary objectives of safety and liquidity.

Investments must always be in compliance with all federal, state and local laws governing the investment of moneys under the control of the Treasurer, this Investment Policy, and the Prudent Investor standard of care.

IV. SCOPE

This Statement of Investment Policy applies to county, school and special district fund assets deposited in the County Treasury and under control of the Treasurer. It does not apply to assets that are not deposited in the County Treasury, including, but not limited to:

A. Bond Funds (the investment of which is governed by the bond documents);

B. Assets of Investment Pool participants other than assets on deposit in the County Treasury (which are the responsibility of the participant's governing body); and

C. Deferred Compensation Plan assets (which are invested for the benefit of participants in the Plan).

D. The Treasurer may direct specific-purpose assets belonging to the county or other Investment Pool participants in instruments the earnings of which are not shared, but credited to the specific-purpose fund. The investments for these direct investment pools shall be made in accordance with this Policy, except that investments may be for periods greater than five years when a longer term is advantageous for the investment of money held for specific purposes. Investments for periods longer than five years require prior approval of the governing body in accordance with Government Code Section 53601.

V. STANDARD OF CARE

A. **The Prudent Investor Standard** is the appropriate standard of care for the Investment Pool. This standard shall be used by investment officials and shall be applied in the context of managing an overall portfolio. Investment staff acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

B. **The Prudent Investor Standard Defined:** When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments of an overall strategy, a trustee is authorized to acquire investments as authorized by law.

VI. DELEGATION OF AUTHORITY

Authority to manage the County's investment program is derived from the California Government Code Sections 53600 *et seq.*, and Sections 53630 *et seq.*

The Treasurer is authorized by Santa Barbara County Code Section 2-24.8 to invest or reinvest the funds of the county and the funds of the other depositors in the county treasury, pursuant to Government Code Chapter 4 (commencing with Section 53600) of Par 1 of Division 2 of Title 5.

Within the Treasurer's office, the Treasurer has the authority to appoint individuals responsible for management of the portfolio, to make investments and to direct the receipt and delivery of investment securities at the custody bank.

VII. ETHICS AND CONFLICTS OF INTEREST

Individuals performing the investment function and members of the Treasury Oversight Committee shall maintain the highest standards of conduct. They must maintain their independence and not have actual conflicts of interest. In addition, they shall avoid the appearance of having conflicts of interest or having lack of independence.

All investment personnel shall disclose to the Treasurer any financial interests in financial institutions that conduct business with the County of Santa Barbara and shall disclose any material financial positions that could be related in a conflicting manner to the investment strategies and performance of the County of Santa Barbara's investment portfolio. In accordance with State law, the Treasurer and individuals responsible for management of the portfolio shall complete and submit State of California Form 700, Statement of Economic Interests Disclosure. Should any conflicts be disclosed, the Treasurer will resolve such matters as soon as practical.

The Treasurer, individuals responsible for management of the portfolio, and members of the Treasury Oversight Committee will not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from an advisor, broker, dealer, banker, or other persons with whom the Treasurer conducts business.

The Treasurer, individuals responsible for management of the portfolio, and members of the Treasury Oversight Committee may not accept any honorarium from advisors, brokers, dealers, bankers, or other persons with whom the Treasurer conducts business or may, in the future, conduct business.

A member of the Treasury Oversight Committee may not be employed by an entity that has contributed to the campaign of a candidate for the office of the Treasurer or a candidate for a legislative body of a local agency that has deposited funds in the County Treasury in the previous three years or while a member of the Committee. A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the Committee or for one year after leaving the Committee.

A member of the Treasury Oversight Committee may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee.

VIII. SAFEKEEPING OF SECURITIES

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County shall be deposited for safekeeping with the custodial bank that has contracted to provide the Treasurer with custody and security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

IX. DELIVERY VS. PAYMENT

All security transactions are to be conducted using industry-standard "delivery-versus-payment" procedures.

X. INTERNAL CONTROLS

The Treasurer shall establish and document a system of internal controls that is prudent and comprehensive. Internal controls shall be designed to provide reasonable assurances that the combined Investment Pool assets are protected. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

Internal controls are designed to ensure separation of transaction authority from accounting and record keeping and to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's office.

No investment personnel may engage in an investment transaction except as provided under this investment policy and the procedures established by the Treasurer.

XI. AUTHORIZED DEALERS AND INSTITUTIONS

The Treasurer shall determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:

- Primary government dealers (including their parent and subsidiaries) as designated by the Federal Reserve Bank;
- Nationally or state-chartered banks;
- The Federal Reserve Bank; and
- Direct issuers of securities eligible for purchase by the County.

Selection of financial institutions and broker/dealers authorized to engage in transactions with the County shall be at the sole discretion of the County.

All financial institutions which desire to become authorized dealers for investment transactions must complete the Santa Barbara County's "Request For Qualification" form Each qualified dealer must certify in writing that they have reviewed the relevant California Government Code Sections and the County's Investment Policy and that all securities offered to the County shall comply fully and in every instance with all provisions of the Code and with this Investment Policy.

The authorized dealers and financial institutions must not have made any political contribution to the Treasurer, Board of Supervisors or candidates for these offices for 48 months before and any time during their engagement with the County.

Public deposits shall be made in accordance with State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with State law.

The Treasurer, or designee, will create and review periodically an approved list of firms and financial institutions authorized to do business with the Treasurer. The Treasurer will maintain firms on the authorized list as long as it is in the best interest of the County to do so.

XII. PERMITTED INVESTMENTS

A. Authorized Investments

All investments shall be made in accordance with the California Government Code Sections 53630 *et seq.* and as described within this Investment Policy. Percentage allowances per this policy shall be determined by the overall portfolio size at book value on the close of the date any security is purchased. Permitted investments under this policy shall include:

1. Securities issued by the US Treasury, provided that
   a. There shall be no restriction on the percentage of portfolio investment in US Treasury securities, and
   b. The final maturity shall not exceed five years.

2. Securities issued and fully guaranteed as to payment by an agency, or issued by a government sponsored enterprise of the US Government, provided that
   a. There shall be no restriction on the percentage of portfolio investment in US Government agencies and sponsored enterprises,
   b. The final maturity shall not exceed five years, unless specifically authorized by the governing body, and

3. Bonds, notes, warrants or certificates of indebtedness issued by the state of California and all other 49 states, local agencies within California, or the County of Santa Barbara provided that
   a. The maximum allowable portfolio investment in this category shall be 10%,
   b. The final maturity shall not exceed five years.

4. Banker's acceptances provided that

a. The maximum allowable portfolio investment in banker's acceptances shall be 40%,
b. The final maturity shall not exceed 180 days,
c. Maximum exposure to any one issuer shall be limited to 5% of the total portfolio, and
d. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.

5. Commercial Paper provided that
    a. The maximum allowable portfolio investment in commercial paper shall be 40%,
    b. The final maturity shall not exceed 270 days,
    c. The obligation is issued by a US corporation with total assets exceeding $500 million,
    d. The investment in paper of any one issuer may not exceed 10% of the outstanding debt of that issuer,
    e. Maximum exposure to any one issuer (including MTNs, CP, and other obligations) shall be limited to 5% of the total portfolio, and
    f. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.

6. State of California Local Agency Investment Fund (LAIF) provided that
    a. The County may invest up to the maximum amount permitted by LAIF, and
    b. the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

7. Managed investment pools pursuant to California Government Code 53601(p) for which shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o) of Government Code Section 53601, inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, 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 subdivisions (a) to (o) Government Code Section 53601, inclusive.
    c. The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

8. Negotiable certificates of deposit (NCDs) provided that
   a. The maximum allowable portfolio investment in NCDs shall be 30%,
   b. The final maturity shall not exceed one year,
   c. Maximum exposure to any one issuer shall be limited to 5% of the total portfolio, and
   d. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.
   e. The issuer shall be a national or state chartered bank or a licensed branch of one of the top 100 foreign banks.

9. Bank deposits (Non-negotiable certificates of deposit) which are fully collateralized with securities in accordance with California law, provided that
   a. The maximum allowable portfolio investment in time non-negotiable certificates of deposit shall be 10%, and
   b. The final maturity shall not exceed one year.

10. Repurchase agreements collateralized with securities authorized under XII.A.1. and XII.A.2 of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that
    a. There shall be no restriction on the percentage of portfolio investment.
    b. The maximum allowable portfolio investment in repurchase agreements shall be one year,
    c. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement shall be substantially in the form developed by the Public Securities Association, and
    d. The counterparty to the repurchase agreements is a primary government securities dealer as designated by the Federal Reserve Bank of New York and state chartered banks.

11. Securities lending and reverse repurchase agreements
    a. The total of reverse repurchase agreements and securities that are subject to a securities lending agreement may not exceed 20% of the County's total portfolio,
    b. To the extent that the County's authorized securities lending agent does not utilize the full 20% allocation, the County may enter into reverse repurchase agreements in accordance with the government code. The term to maturity of such reverse repurchase agreements may not exceed 92 days, and the maturity of securities purchased with the proceeds of reverse repos must match the maturity of the reverse repurchase agreement, and
    c. The counterparty to the agreements is a primary government securities dealer as designated by the Federal Reserve Bank of New York.

12. Medium Term or Corporate Notes (MTNs) of United States corporations & Depository Institutions or Medium Term Notes of U.S. Corporations and

Depository Institutions issued under the Temporary Liquidity Guarantee Program, guaranteed by the Federal Deposit Insurance Corporation provided that

a. The maximum allowable portfolio investment in MTNs shall be 30%,
b. The final maturity shall not exceed 5 years,
c. The maximum allowable portfolio investment in MTNs with maturity in excess of 3 years shall be 10%,
d. The obligation shall be issued by a corporation organized and operating within the U.S. or by a depository institution licensed in the U.S. or any state and operating within the U.S.,
e. Maximum exposure to any one issuer (including MTNs, CP and other obligations) shall be limited to 5% of the total portfolio, and
f. The issuer of non-TLGP notes shall be rated AA by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is greater than 3 years and shall be rated AA- by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is 3 years or less. TLGP notes shall be rated AAA by one of the three major rating services.

13. Money Market Mutual Funds provided that

a. The maximum allowable portfolio investment in Money Market Funds shall be 15%,
b. The Fund is registered with the Securities and Exchange Commission,
c. The Fund must have as one of its primary objectives that it will strive to maintain a $1.00 net asset value and share price,
d. The Fund shall have retained an investment advisor 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 by California Government Code Section 53601 (a through j) and with assets under management in excess of $500 million, and
e. The issuer shall be rated AAA by at least two of the three major rating services of Moody's, S&P, and Fitch.

14. FDIC Insured Deposit Accounts authorized pursuant to California Government Code Sections 53601.8 and 53635.8.

a. The deposit of funds may be placed directly with a selected depository institution not to exceed the issuance limit from the Federal Deposit Insurance Corporation (FDIC).
b. A selected depository may use a private sector entity to help place deposits with one or more commercial bank or savings bank located in the United States,
c. The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation (FDIC),
d. The maximum exposure to the fund shall be no more than 10%,

e. There is no minimum credit requirement for FDIC insured deposit accounts whether directly placed or placed through a private sector entity.

15. Supranationals
    a. The fund may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by multi-national organizations.
    b. Permissible issuers for purposes of investment are International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB),
    c. The maximum maturity of an issue shall be 5 years,
    d. The maximum exposure to the fund for this category shall be 30%,
    e. The maximum exposure to a single issuer shall be 10% of the fund value, and
    f. The security must be rated AA by at least one rating agency from the following: Moody's, Standard & Poor's, or Fitch.

B. Prohibited Investment and Practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than money market funds as described above), unregulated and/or un-rated investment pools or trusts, collateralized mortgage obligations and futures and options.

2. In accordance with Government Code Section 53601.6, investments in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

4. Purchasing or selling securities on margin is prohibited.

XIII. PORTFOLIO RISK MANAGEMENT

A. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Treasurer shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section XII (A) are designed to mitigate credit risk in the portfolio.

2. No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and sponsored enterprises.

3. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the County's risk preferences.

4. If the securities owned by the County are downgraded by Moody's, S&P, or Fitch to a level below the quality required by this Investment Policy, it shall be the County's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. The Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.

5. The Treasurer will continue to monitor and reevaluate the security on an ongoing basis in order to reaffirm or change the decision to hold a downgraded security.

6. If a decision is made to retain a downgraded security in the portfolio, the status of the investment will be reported quarterly to the Board of Supervisors.

B. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios generally achieve higher returns. On the other hand, longer-term portfolios have a higher volatility of return. The County shall mitigate market risk by providing adequate liquidity for cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. All investments are categorized according to the period of time from settlement date to maturity date. Market circumstances and risk-return calculations for increased yield may require an extended schedule. In no event shall more than 75 percent of the funds available be invested for longer than one year.

2. The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy. The five-year maturity of callable securities is measured to the final maturity date, not to a call date.

3. Maturity of investments should be governed by the Treasury's demand for funds through analysis of revenue and expenditure activity over prior periods. The portfolio shall be structured in such manner that securities mature concurrent with cash needs.

C. Mitigating Reinvestment Risk in the Portfolio

Reinvestment risk is the risk that cash flows from securities will be reinvested at interest rates that are lower than the rate of the original investment. Securities that are highly subject to reinvestment risk include mortgage-backed and callable securities.

The County, therefore, adopts the following strategies to control and mitigate its exposure to reinvestment risk:

1. The portfolio shall include securities with a range of durations and maturities.

2. Mortgage-backed securities are prohibited.

3. Investment in callable securities is limited to 50%.

XIV. REPORTING AND DISCLOSURE

A. Quarterly Reports

The Treasurer shall submit a quarterly investment report to the Board of Supervisors, County Executive Office, Auditor-Controller and Treasury Oversight Committee within 30 days following the end of the quarter covered by the report. This report shall disclose, at a minimum, the following investment information:

1. The type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys;

2. A description of any funds, investments, or programs that are under the management of contracted parties, including lending programs;

3. A current market value as of the date of the report and the source of this valuation;

4. A statement of compliance with the investment policy or manner in which the portfolio is not in compliance;

5. A statement denoting that ability of the County to meet its expenditure requirements for the next six months or an explanation as to why sufficient money may not be available.

B. Semi-Annual Reports

The Treasurer shall submit a copy of the quarterly investment report, as submitted to the Board of Supervisors, to the California Debt and Investment Advisory Commission (CDIAC) twice a year. The quarterly report for the year ending June 30, shall be submitted no later than the end of August. The quarterly report for the period ending December 31, shall be submitted no later than the end of February.

C. Annual Reports

The investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

A copy of the investment policy shall be submitted to the California Debt and Investment Advisory Commission (CDIAC) each calendar year and within 60 days of any amendment to the investment policy.

Any internal or external audit reports shall be presented to the Treasury Oversight Committee, together with a plan of implementation of audit recommendations.

XV. TREASURY OVERSIGHT COMMITTEE

The Board of Supervisors shall establish a Treasury Oversight Committee pursuant to Section 27131 of the California Government Code. The Committee shall consist of between three and eleven member nominated by the Treasurer and confirmed by the Board of Supervisors. Any changes to the Investment Policy Statement shall be reviewed by the Treasury Oversight Committee.

Pursuant to Section 53646 and 53607 of California Government Code, the Treasurer shall annually render to the Board of Supervisors for review and approval the Investment Policy Statement and renew the delegation of investment authority.

Pursuant to California Government Code Section 27137, the county treasury oversight committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.

XVI. APPORTIONMENT OF EARNINGS AND COSTS

Investment earnings shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. As provided by Sections 27013, 27133 and 27135 of the Government Code, the Treasurer shall deduct those administrative costs associated with investing, depositing, banking, auditing, reporting or otherwise handling or managing funds from the gross interest earnings before the interest earnings are apportioned.

XVII. VOLUNTARY PARTICIPANTS

The Treasurer does not solicit any agency's voluntary entry into the Investment Pool. However, should any agency solicit entry, the agency shall comply with the requirements of section 53684 of the Government Code and provide to the Treasurer a resolution adopted by their governing board stating that they have excess funds available for the purpose of investment. The resolution shall specify the amount of monies to be invested, the person authorized to coordinate the transaction, the anticipated time frame for deposit, and the agency's willingness to be bound to the 30 day written notice requirement for withdrawals, as well as the Treasurer's ability to deduct pro-rata administrative charges permitted by Section XVII of this investment policy. Any solicitation for entry into the Investment Pool must have the Treasurer's prior written approval.

XVIII. PARTICIPANT WITHDRAWAL

Before a local agency withdraws funds from the Investment Pool, it must submit a withdrawal request to the Treasurer. The Treasurer shall review the withdrawal request based on the size of the withdrawal, the remaining balances in the Investment Pool after the withdrawal, current market conditions, effect on cash flows, availability of funds, the circumstances involving the request, and whether the withdrawal would adversely affect other depositors in the Investment Pool. Exiting pool participants will not recognize posted GASB 31 fair market value gains or losses, except in extraordinary circumstances, as defined by the Treasurer at that time.

XIX. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated immediately into the Investment Policy.

Appendix I

AUTHORIZED INVESTMENT SUMMARY TABLE

AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury Obligations	100%	None	Max 5 years	NA
Notes, participation's or obligations issued by an agency of the federal government or U.S. government sponsored enterprises	100%	None	Max 5 years	NA
Bonds, notes, warrants, or certificates of indebtedness issued by the state and all other 49 states, or local agencies, or County of Santa Barbara	10%	None	Max 5 year	NA
Bankers Acceptances among the 100 largest banks by size of deposits.	40%	Max 5% of portfolio per issuer	Max 180 days	A1 / P1 / F1 by at least 2 of the 3 rating agencies
Commercial paper of U.S. corporations with total assets exceeding $500,000,000	40%	Max 10% of outstanding paper of any one issuer & max 5% per any one issuer	Max 270 days	A1 / P1 / F1 by at least 2 of the 3 rating agencies
State of California- Local Agency Investment Fund (LAIF)	As limited by LAIF	As limited by LAIF	NA	NA
Managed Investment Pool pursuant to GC 53601(p)	As limited by each investment pool	As limited by each investment pool	NA	NA
Negotiable CDs issued by national or state chartered banks or a licensed branch of the top 100 foreign banks	30%	Max 5% of any one issuer	Max 1 year	A1 / P1 / F1 by at least 2 of the 3 rating agencies
Collateralized Time Deposits	10%	As stipulated in Ca. Government Code 53630 et al	Max 1 year	NA
Repurchase Agreements with 102% collateral limited to U.S. treasuries & agencies with maturity not exceeding 5 yrs	100%	Contract must be on file	1 yr	Restricted to primary dealers and state chartered banks on eligible list
Reverse Repurchase Agreements	20%	Contract must be on file	92 days	Restricted to primary dealers on eligible list
Medium Term Notes or Corporate Notes on U.S. corporation	30%/ 10%in maturity greater than 3 years	Max 5% of any one issuer	Max 5 years	AA by at least 2 of the 3 rating agencies if more than 3 yrs; AA- up to 3 yrs. AAA if TLGP.
Money Market mutual funds that meet requirements of Ca. Government Code	15%	Registered with SEC; no NAV adjustments; no front end loads	Immediate liquidity	AAA by at least 2 of the 3 rating agencies
Callable Securities	50%	As above	As above	As above

FDIC Insured Deposit Accounts Authorized Under California Government Code Sections 53601.8 and 53635.8	10%	Max $100MM per placement service	Immediate liquidity	Not Applicable
Supranationals	30%	As above	5 years	AA by at least 1 rating agency

Appendix II

GLOSSARY OF TERMS

ACCRUED INTEREST – The amount of interest that is earned, but unpaid since the last payment date.

BANKERS ACCEPTANCES – A draft or bill or exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill. With the credit strength of a bank behind it, the bankers acceptance usually qualifies as a money market instrument. In its simplest and most traditional form, a bankers acceptance is merely a check drawn on a bank by an importer or exporter of goods.

BASIS POINT - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

BID - The indicated price at which a buyer is willing to purchase a security or commodity.

BOOK ENTRY – The system maintained by the Federal Reserve, by which most money market securities are delivered to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment).

BOOK VALUE - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

BROKER/DEALER – Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC)- The CDIAC provides information, education, and technical assistance on public debt and investments to local public agencies and other public finance professionals.

CALLABLE BOND - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALL PRICE - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK - The risk to a bondholder that a bond may be redeemed prior to maturity.

CASH SALE/PURCHASE - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

COLLERATERALIZATION - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMBINED INVESTMENT POOL – The county maintains a combined Investment Pool with cash and investments which provide cash flow for the funding needs of the participants. The combined Investment Pool is managed by the Santa Barbara County Treasurer. The combined Investment Pool is carried at amortized cost and includes accrued interest.

COMMERCIAL PAPER - An unsecured short-term promissory note issued by banks, corporations and other borrowers with temporarily idle cash, with maturities ranging from 2 to 270 days. Such instruments are usually discounted, although some are interest bearing. It is issued only by top-rated concerns and is nearly always backed by bank lines of credit.

CONFIRMATION – Formal memorandum from a broker/dealer to the Treasurer giving the details of a securities transaction, i.e., purchase or sale.

COUPON RATE - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

CREDIT QUALITY - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSTODIAN/CUSTODY – The financial institution where the investments purchased by the County Treasury are held.

DELIVERY VERSUS PAYMENT (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

DERIVATIVE - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT - The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION – The spreading of risk by investing in assets among a range of security types by sector, maturity, and quality rating.

DURATION - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

EARNINGS APPORTIONMENT – The quarterly interest distribution to the Investment Pool participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Investment Pool.

FAIR VALUE - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE - Interest rate charged by one institution lending Federal funds to the other.

FITCH IBCA, INC. (FITCH) – One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. (Moody's), and Standard and Poor's Corporation (S & P). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

GUARANTEED INVESTMENT CONTRACTS (GICS) – An agreement acknowledging receipt of funds for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

GOVERNMENT SECURITIES - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

HIGHLY LIQUID – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

IDLE FUNDS – funds in the combined Investment Pool not required for immediate cash needs.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INFORMAL COMPETITIVE BID – A verbal or written bid submitted to the County Treasury by a broker/dealer for a specific issue at a specific price or yield.

INTEREST RATE - See "Coupon Rate."

INTEREST RATE RISK - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

INTERNAL CONTROLS - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

INVERTED YIELD CURVE - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT POLICY - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

INVESTMENT-GRADE OBLIGATIONS - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

LIQUID - An asset that can be converted easily and quickly into cash because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY INVESTMENT FUND (LAIF) – The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – A security with the maturity greater than one year.

MARK-TO-MARKET - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

MARKET RISK - The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE – The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

MATURITY - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

MEDIUM TERM NOTES – Corporate Notes and Deposit Notes that are obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

MOODY'S INVESTORS SERVICE, INC. (Moody's) - One of the three best known rating agencies in the United States, the others being Standard and Poor's Corporation (S & P) and Fitch IBCA, Inc. (Fitch). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

MUTUAL FUND - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in the secondary markets.

NET ASSET VALUE - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

NO LOAD FUND - A mutual fund which does not levy a sales charge on the purchase of its shares.

NOMINAL YIELD - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

NONCALLABLE – A bond that is exempt from any kind of redemption for a stated time period.

NOTE – A written promise to pay a specific amount to a certain entity on demand or on a specified date.

OFFER - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

PAR - Face value or principal value of a bond, typically $1,000 per bond.

PORTFOLIO – Combined holding of more than one stock, bond, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

POSITIVE YIELD CURVE - A chart formation that illustrates short-term securities having lower yields than long-term securities.

PREMIUM - The amount by which the price paid for a security exceeds the security's par value.

PRIMARY DEALER – A group of securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers and banks.

PRIME RATE - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

PRINCIPAL - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

PROSPECTUS - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR RULE - An investment standard where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is met is if a prudent person acting in such a situation would engage in similar conduct to ensure investments safeguard principal and maintain liquidity.

PUT OPTION – The sale of an option to another party giving them the right to sell to the Investment Pool a security at a specified price within a specified time period.

RATING – Evaluation of financial institutions' investment and credit risks by professional rating services. The County Treasury utilizes the ratings designations of Moody's, S&P and Fitch.

REGISTERED STATE WARRANT – A short-term obligation of a state governmental body issued in anticipation of revenue.

REGULAR WAY DELIVERY - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

REINVESTMENT RISK - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT (REPO) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES AND EXCHANGE COMMISSION (SEC) – Agency created by Congress to protect investors in securities transactions by administering securities laws. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against malpractice in the securities market.

SECURITIES LENDING – A transaction wherein the Investment Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SERIAL BOND - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

SHORT-TERM – A security with a maturity one year or less.

STANDARD AND POOR'S CORPORATION (S&P) – One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. (Moody's), and Fitch IBCA, Inc. (Fitch). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

SWAP - Trading one asset for another.

TOTAL RETURN - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

TREASURY BILLS - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

TREASURY NOTES - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

TREASURY BONDS - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

VOLATILITY - A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI) - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

YIELD-TO-CALL (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITIES - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

BOARD OF SUPERVISORS
AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:	
Department Name:	Treasurer - Tax Collector
Department No.:	065
For Agenda Of:	02/26/2019
Placement:	Administrative
Estimated Tme:	
Continued Item:	No
If Yes, date from:	
Vote Required:	Majority

TO:	Board of Supervisors	
FROM:	Department Director(s)	Harry E. Hagen, CPA, CPFA, CPFO, ACPFIM, CFIP, CGIP, Treasurer - Tax Collector 568-2490
	Contact Info:	Jennifer C. Christensen, JD MBA CPFO CFIP, Chief Investment Officer 568-2925
SUBJECT:	**Treasurer's Investment Pool, FY 2018-2019 Second Quarter (Oct-Dec 2018)**	

County Counsel Concurrence
As to form: N/A

Auditor-Controller Concurrence
As to form: N/A

Other Concurrence:
As to form: N/A

Recommended Actions:

That the Board of Supervisors:

Accept for filing the Fiscal Year 2018-2019 Second Quarter (October – December 2018) report on the Treasurer's Investment Pool, pursuant to Government Code section 53646(b).

Summary Text:

The value of the Treasurer's Investment Pool at principal cost on December 31, 2018, was $1,593,223,753. Market value of the investment pool was $1,589,330,973. The weighted average days-to-maturity (WAM) for the investment pool was 321 days.

The Treasurer's Investment Pool earned $5,855,293 for the quarter ending December 31, 2018, an annualized return of 1.661%. The net yield earned over the past year is 1.510%. Per Government Code Section 53600.5, the Santa Barbara County Treasurer has a mandated responsibility to manage and invest public funds with the primary objective of safeguarding principal, the secondary objective of meeting the liquidity needs of pool participants, and thirdly, the objective of attaining a market average rate of return, consistent with the primary objectives of safety and liquidity.

For the quarter ending December 31, 2018, the Treasurer's Investment Pool anticipated and met all liquidity requirements, precluding any need to sell holdings unexpectedly at a potential loss in order to meet cash flow demands.

All investments purchased, met or exceeded state and local policy requirements for credit quality. Credit quality of assets held in the Treasurer's Investment Pool is monitored on an ongoing basis.

The Santa Barbara County Treasurer conforms to all applicable State statutes and County resolutions that govern the investment of public funds.

Background:

This quarterly report is being submitted to you pursuant to California Government Code section 53646 (b). In addition, California Government Code section 53646 (b) (3) requires the Treasurer-Tax Collector to include a statement in the Treasurer's Report affirming the ability of the Santa Barbara County Investment Pool to meet expenditure requirements for the next six months.

This report was reviewed and discussed by the Treasury Oversight Committee at its quarterly meeting. The Treasury Oversight committee promotes the public interest and is governed by California Government Code sections 27130 through 27133.

Performance Measure:

To ensure the financial stability of the County, monitor and project liquidity requirements as evidenced by zero securities sold at a loss to meet cash flow needs of pool participants: Accomplished.

To ensure the financial stability of the County and secure public agency funds, all investments stay within compliance 100% of the time with the Government Code and the Treasurer's Investment Policy: Accomplished.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

For the quarter ending December 31, 2018, net investment earnings achieved by the Treasurer's Investment Pool were $5,855,293, with the County receiving 40.9%, Schools 49.9%, and Special Districts the balance of 9.2%. The net yield earned for the quarter on an annualized basis is 1.661% and over the past year is 1.510%

Attachments:

Treasurer's Second Quarter Investment Pool Report (October – December 2018)

Authored by:

Jennifer C. Christensen, JD MBA CPFO CFIP, Chief Investment Officer

SANTA BARBARA COUNTY

TREASURER'S REPORT TO THE BOARD OF SUPERVISORS AND THE TREASURY OVERSIGHT COMMITTEE

FOR THE QUARTER ENDED December 31, 2018

ECONOMIC TREND

- **The Federal Open Market Committee (Committee) decided to raise the target federal funds rate to the target range of 2.25% to 2.5% at its December meeting. The Committee indicated that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Household spending has continued to grow strongly, and both overall inflation and inflations for items other than food and energy remain near 2 percent on a 12-month basis.**

- **As summarized in the Beige Book issued January 19, 2019, economic activity increased in most of the U.S., with eight of twelve Federal Reserve Districts reporting modest to moderate growth. The majority of Districts indicated that manufacturing expanded, but that growth has slowed, particularly in the auto and energy sectors. Outlooks generally remained positive, but many Districts reported that contacts had become less optimistic in response to increased financial market volatility, rising short-term interest rates, falling energy prices, and elevated trade and political uncertainty.**

- **All Districts noted that labor markets were tight and that firms were struggling to find workers at any skill level. Wages grew throughout the country, with the majority of Districts reporting moderate gains. Wages increased across skill levels, and numerous Districts highlighted rising entry-level wages as firms sought to attract and retain workers and as new minimum wage laws came into effect.**

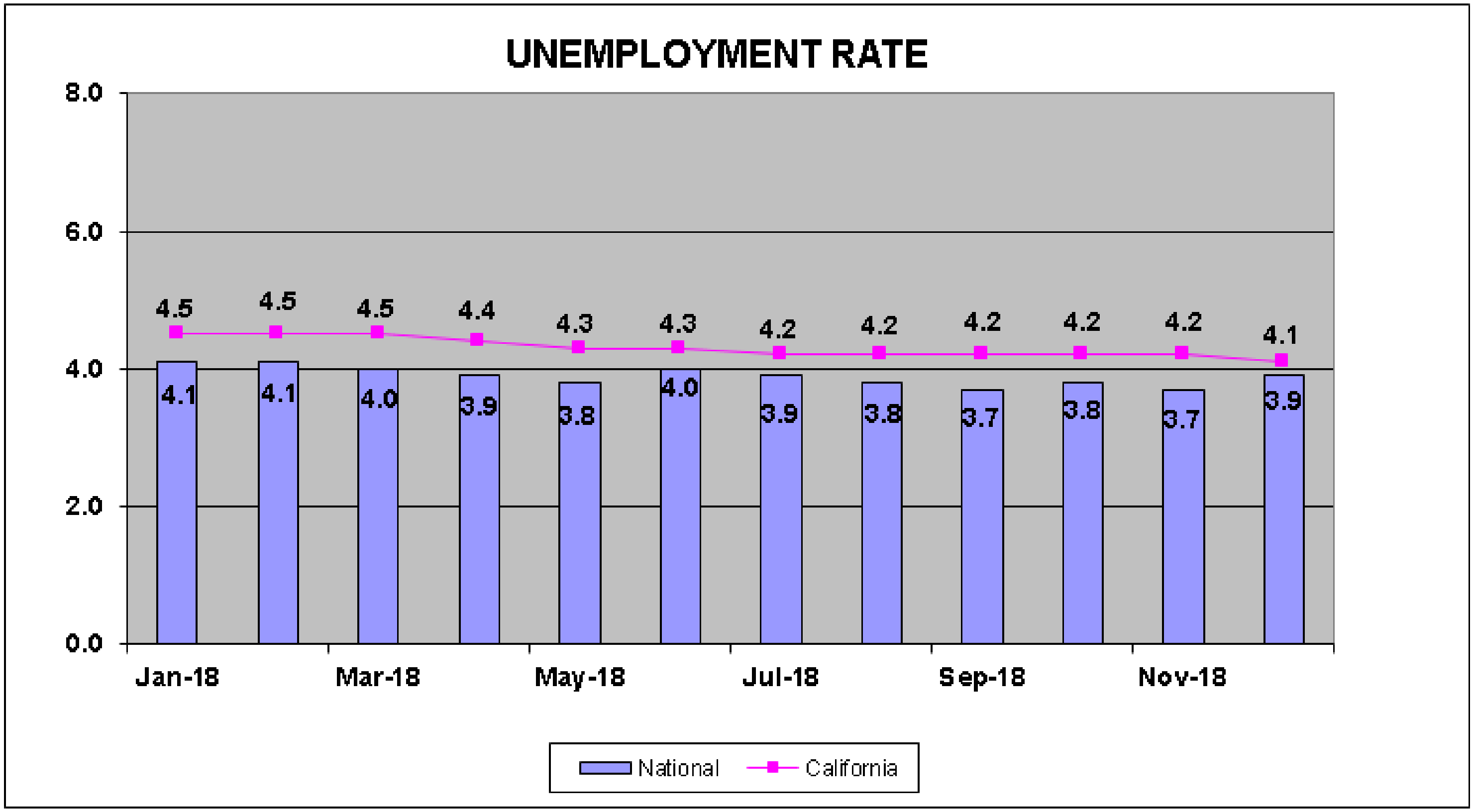
INVESTMENT ACTIVITIES

- **The investment portfolio is in compliance with the Government Code and the Treasurer's Investment Policy.**

- **The Treasurer's Investment Pool has sufficient cash flow available to meet all budgeted expenditures for the next six months.**

ECONOMIC TREND: Unemployment Rate

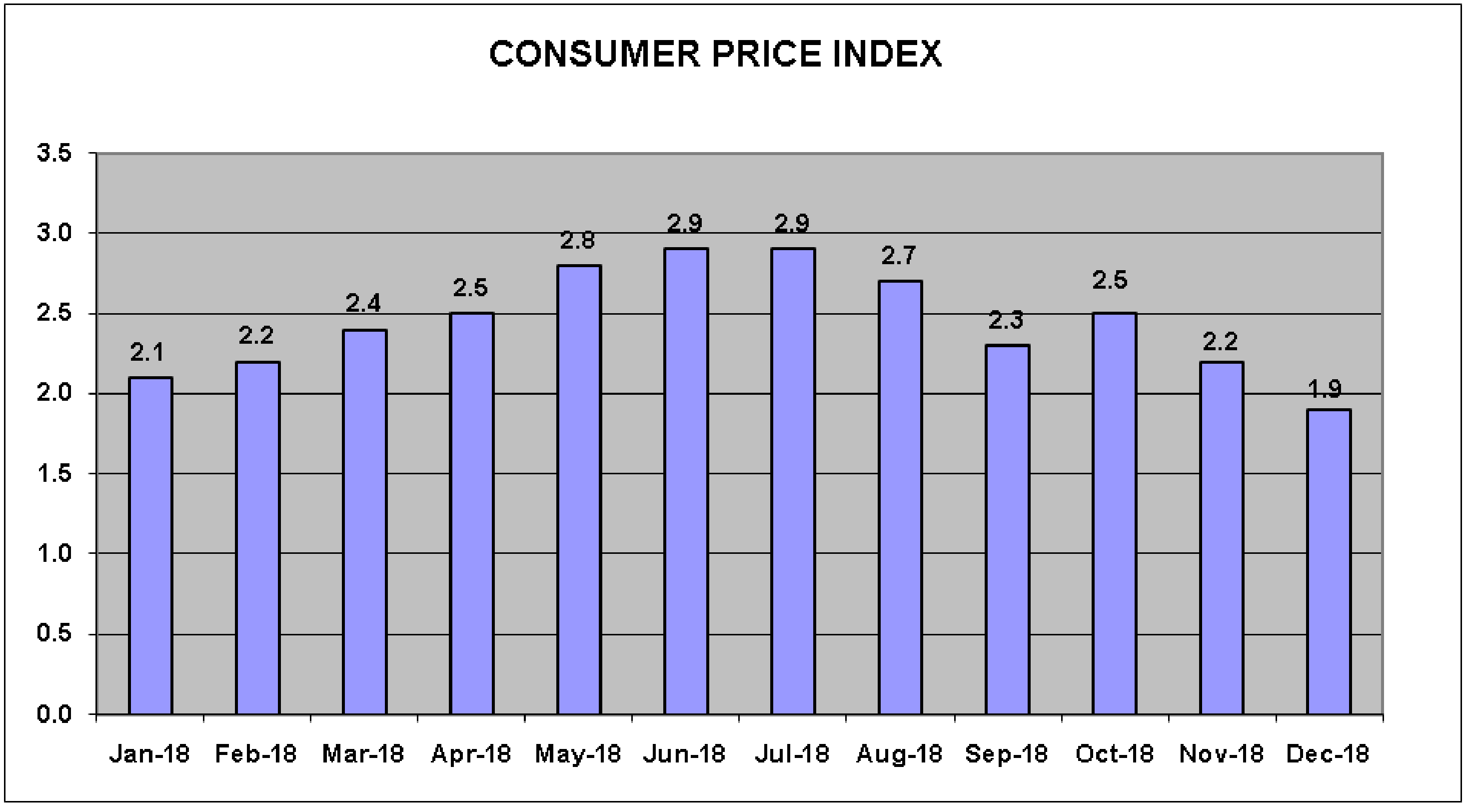
The unemployment rate represents the number of unemployed persons as a percent of the labor force. The sampling used each month to calculate the rate is approximately 60,000 households. The national unemployment rate began the quarter at 3.7% and ended the quarter at 3.9%. California's preliminary unemployment rate was 4.1% in December.



Source: Bureau of Labor Statistics

ECONOMIC TREND: Inflation

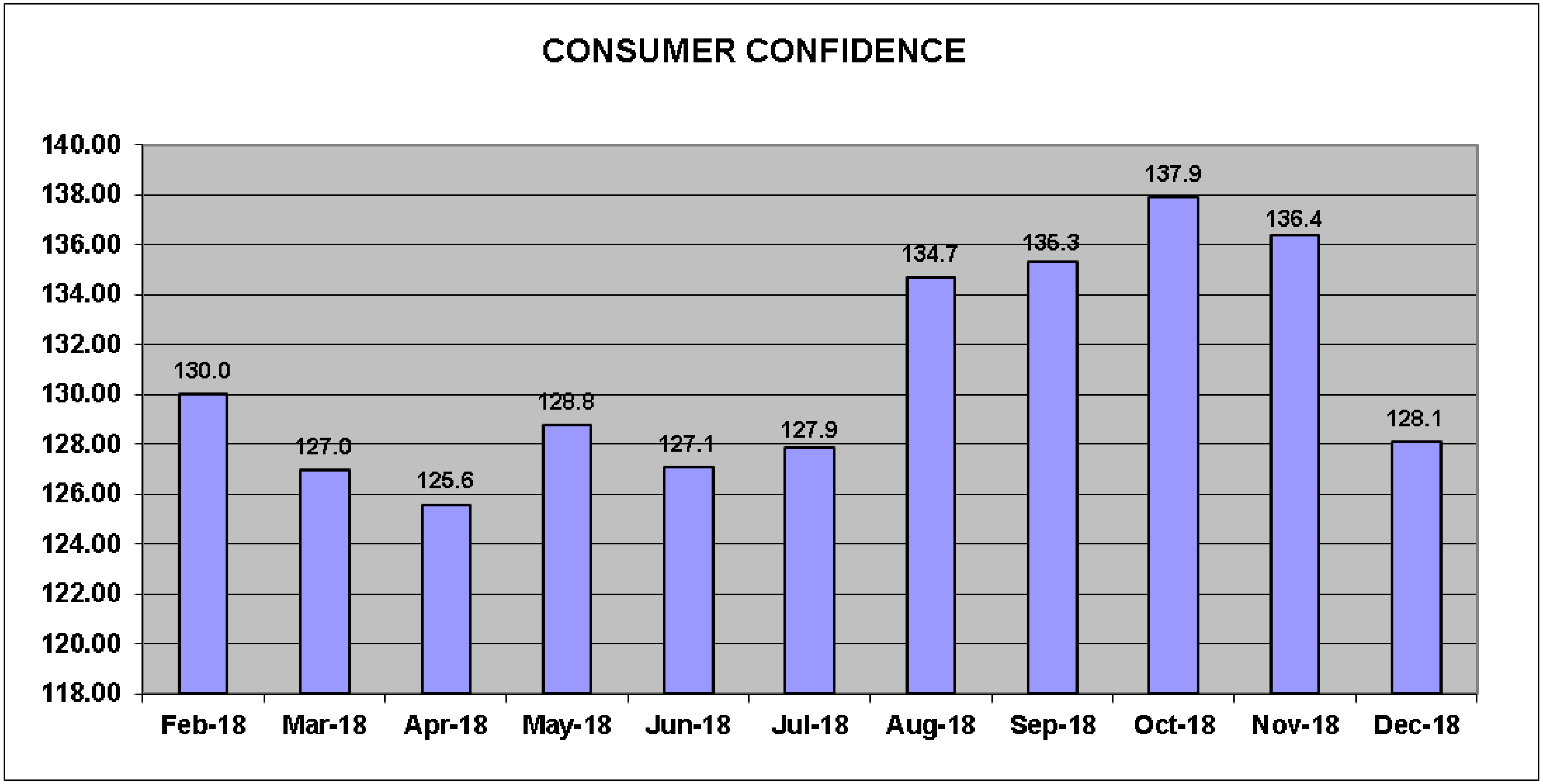
The Consumer Price Index (CPI) represents changes in prices of all goods and services purchased for consumption by urban households. CPI was 1.9% at the end of December. The Core CPI, which excludes food and energy, was 2.2% at the end of December.



Source: Bureau of Labor Statistics

ECONOMIC TREND: Consumer Confidence

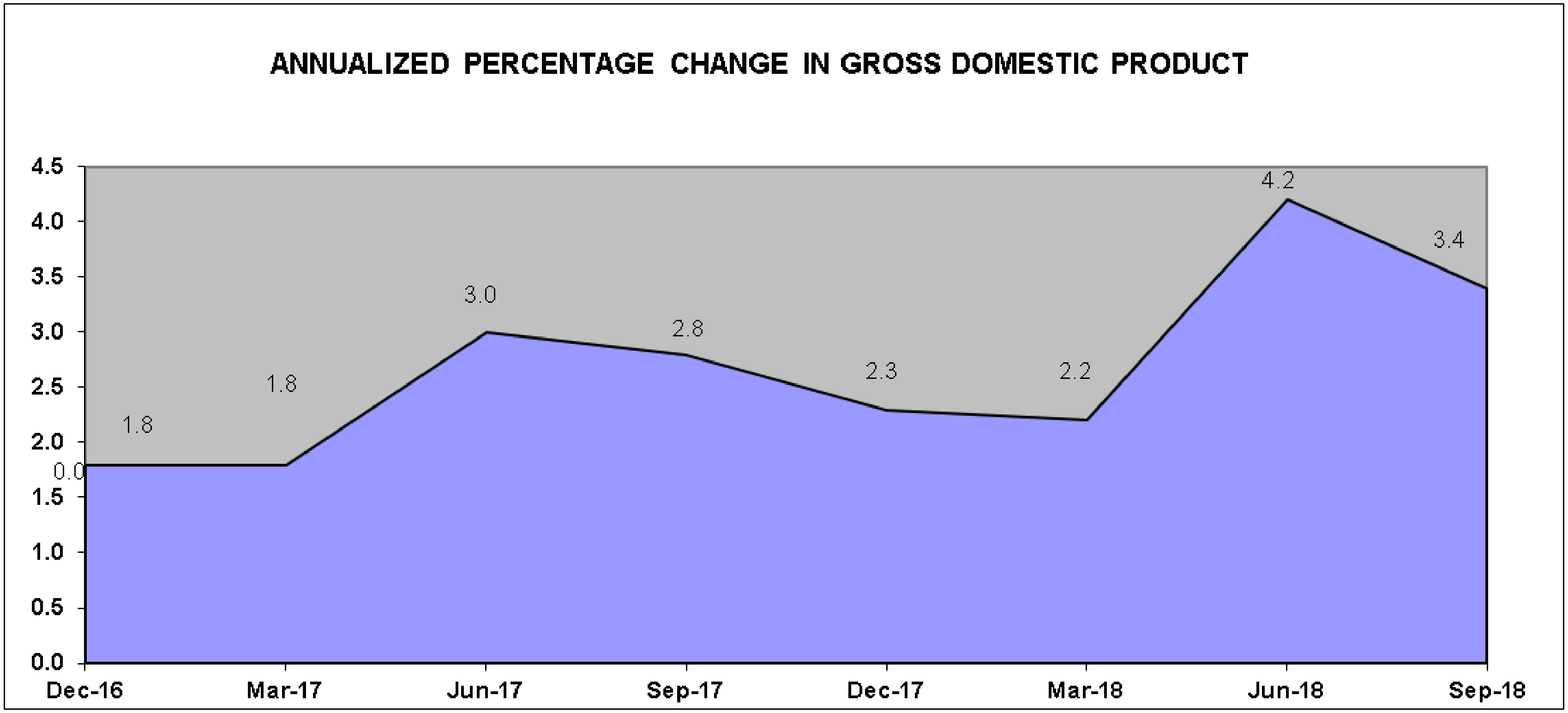
Consumer Confidence is the average of responses to current business and employment conditions and responses to six-month future expectations for business conditions, employment conditions, and total family income. It began the quarter at 135.3 and ended at 128.1.



Source: Conference Board

ECONOMIC TREND: GDP (Gross Domestic Product)

Gross domestic product is the value of all goods and services produced. After eighteen consecutive quarters of growth, the economy experienced its first quarter in negative territory ending March 2014 at -0.9%. Subsequently, the economy continued to recover. For the most recent quarter ending September 30, 2018, the economy reported GDP at 3.4%.



Source: Bureau of Economic Analysis

Santa Barbara County Treasurer's Investment Pool
Statement of Assets
As of December 31, 2018

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value* 12/31/2018	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value* 9/30/2018	Net Change
Cash	$ 58,652,956	$ -	$ 58,652,956	3.69	1.020	1	$ 37,004,496	$ 21,648,460
California Asset Management Program (CAMP)	140,000,000	-	140,000,000	8.81	2.400	1	80,000,000	60,000,000
Local Agency Investment Fund (LAIF)	65,000,000	-	65,000,000	4.09	2.210	1	65,000,000	-
Federally Insured Cash Account (FICA)	20,000,000	-	$ 20,000,000	1.26	2.160	1	$ -	20,000,000
U.S. Treasury Bills	158,130,728	$ 710,872	158,841,600	9.99	2.407	108	69,299,150	89,542,450
U.S. Treasury Notes	192,788,086	(203,786)	192,584,300	12.12	1.787	377	201,579,450	(8,995,150)
Government Agency Bonds	240,365,661	(1,499,791)	238,865,870	15.03	1.696	404	217,983,237	20,882,633
Government Agency Discount Notes	218,178,005	1,522,395	219,700,400	13.82	2.381	102	102,084,640	117,615,760
Government Agency Bonds - Callable	500,108,318	(4,422,470)	495,685,847	31.19	1.764	604	516,587,492	(20,901,645)
Total	$ 1,593,223,753	$ (3,892,780)	$ 1,589,330,973	100.00	1.957	321	$ 1,289,538,465	$ 299,792,508

*Provided by Union Bank

Treasurer's Pool Earnings Summary:

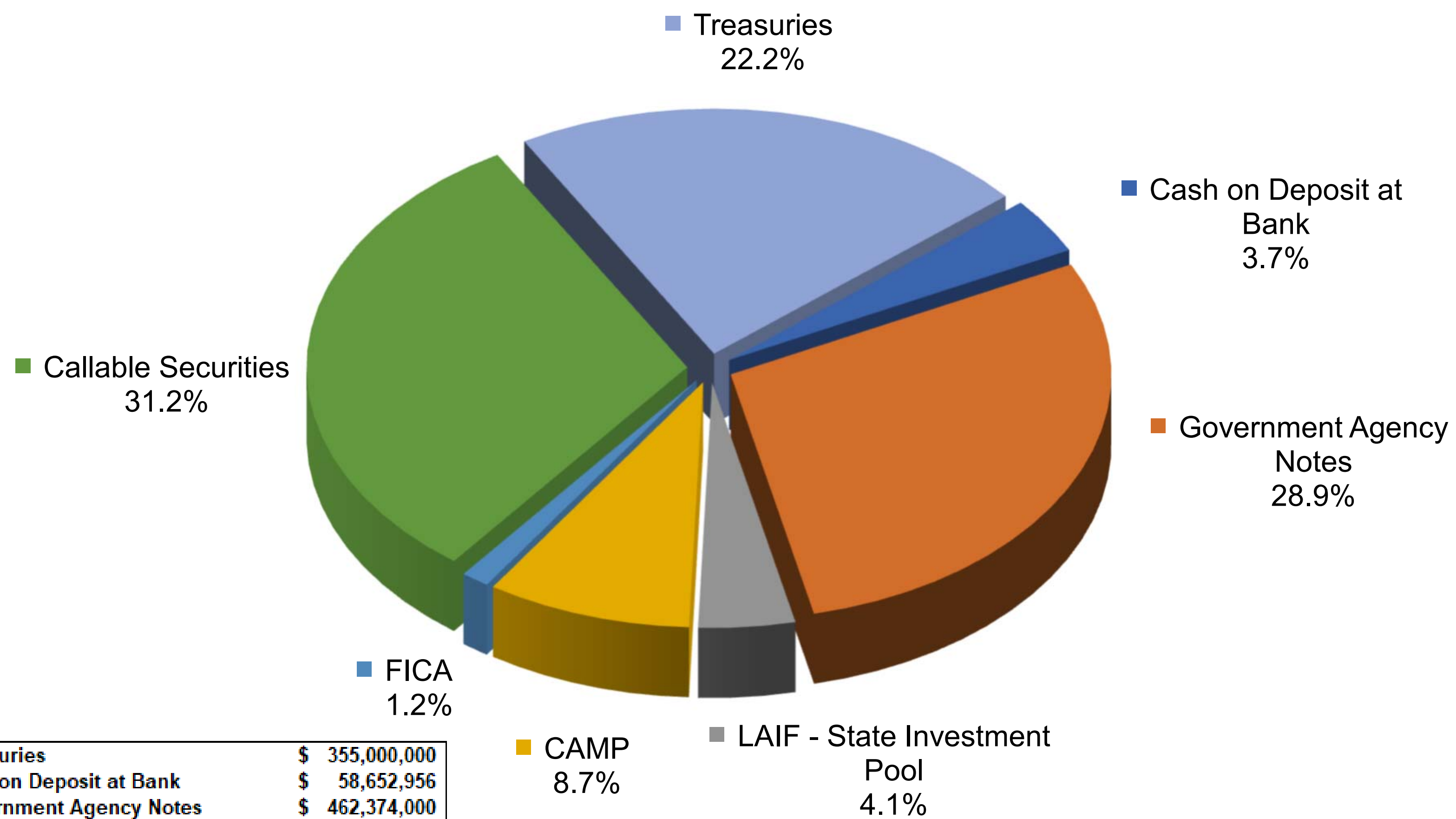
Total Net Earnings on the Treasurer's Pool**	$ 5,855,293
Average Daily Balance on the Treasurer's Pool	$ 1,398,939,537
Net Interest Rate on the Treasurer's Pool	1.661%

**Total net earnings including earned interest, amortization and realized gains and losses on investments.

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value*** 12/31/2018	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value*** 9/30/2018	Net Change
Cannabis Cash***	$ 2,151,409	$ -	$ 2,151,409	0.00	1.020	1	$ 143,738	$ 2,007,671
Total	$ 2,151,409	$ -	$ 2,151,409	0.00	1.020	1	$ 143,738	$ 2,007,671

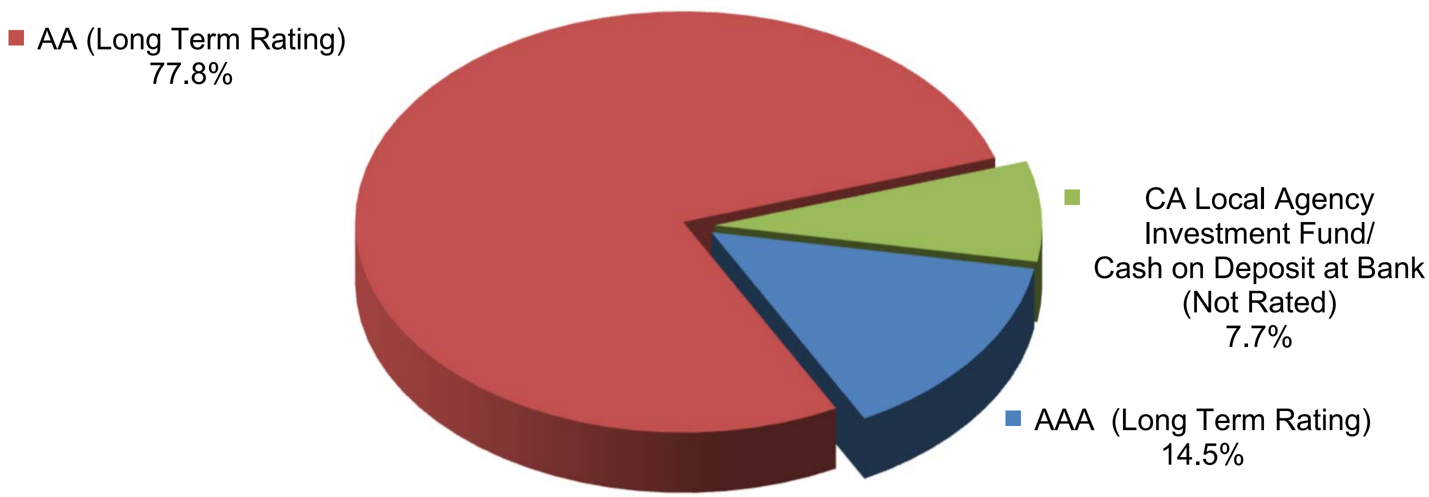
***Proceeds from Cannabis operations are segregated from the Investment Pool and do not receive Investment Pool interest apportionment.

TREASURER'S INVESTMENT POOL
ASSET DISTRIBUTION BY SECTOR (PAR VALUE)
12/31/2018



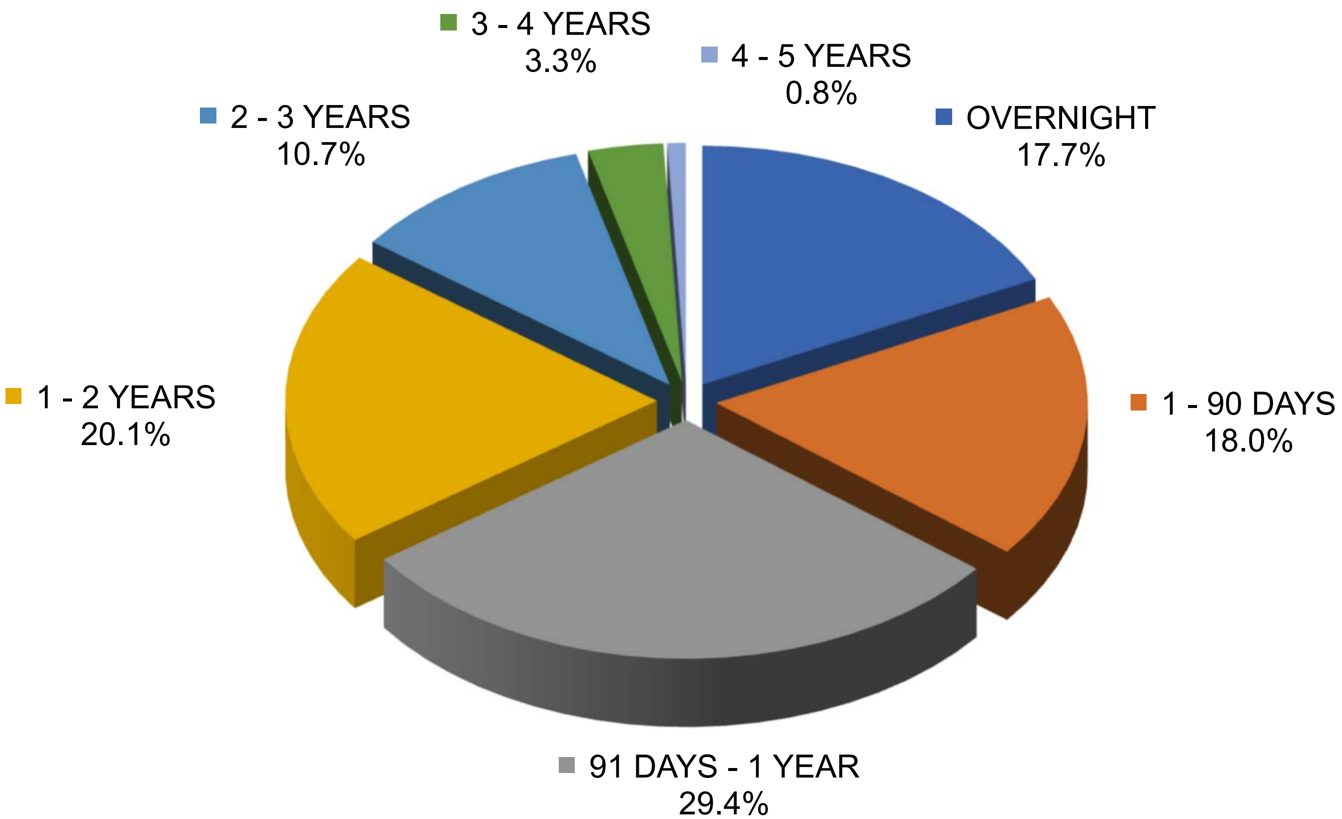
Treasuries	$ 355,000,000
Cash on Deposit at Bank	$ 58,652,956
Government Agency Notes	$ 462,374,000
LAIF - State Investment Pool	$ 65,000,000
CAMP	$ 140,000,000
FICA	$ 20,000,000
Callable Securities	$ 500,993,000
TOTAL	$1,602,019,956

S&P CREDIT RATING AT TIME OF PURCHASE
BY PERCENT OF BOOK VALUE
12/31/2018

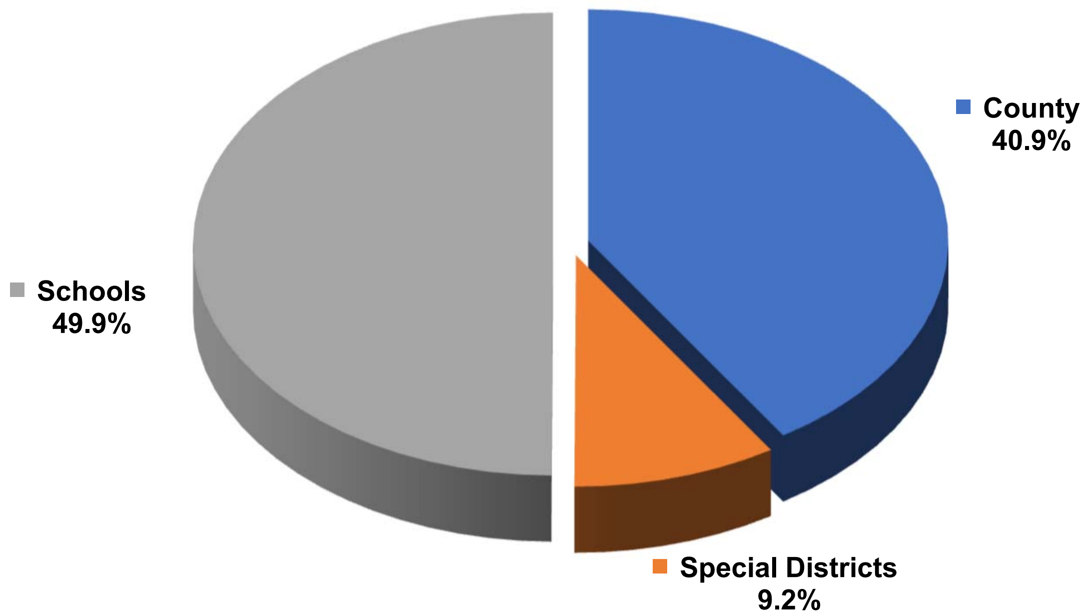


Investment Policy Requirements:
-- US Treasuries: N/A
-- Agency of the Federal Government/US Government Sponsored: N/A
-- Commercial Paper of US Corporations, Assets Greater Than $500 million: A1, P1, F1 (by two of the three rating agencies)
-- State of California - LAIF/Managed Investment Pools: N/A
-- Negotiable CD's: A1, P1, F1 (by two of the three rating agencies)
-- Medium Term Notes/Corporate Notes of US Corporations: Up to three years: AA- by at least two of the three rating agencies. Greater than three years: AA by at least two of the three rating agencies.

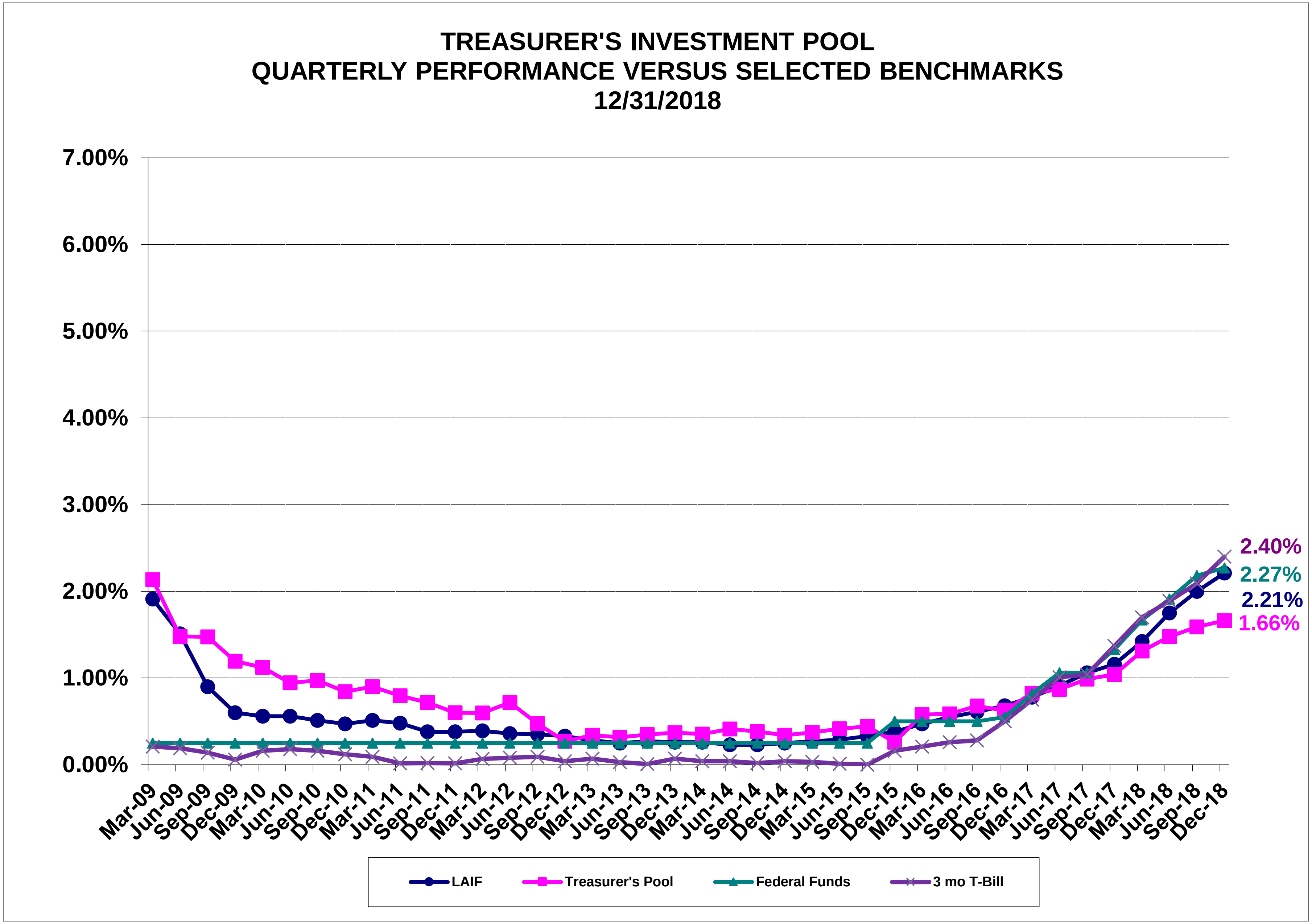
TREASURER'S INVESTMENT POOL
MATURITY DISTRIBUTION
12/31/2018



TREASURER'S INVESTMENT POOL
AVERAGE DAILY CASH BALANCE & INCOME DISTRIBUTION
FOR THE QUARTER ENDED 12/31/2018



The average daily cash balance of all entities in the pool during the quarter was $1,398,939,537.
Aggregate interest earnings of $5,855,293 was distributed to pool participants.


TREASURER'S INVESTMENT POOL
QUARTERLY PERFORMANCE VERSUS SELECTED BENCHMARKS
12/31/2018
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Mar-09
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10
Dec-10
Mar-11
Jun-11
Sep-11
Dec-11
Mar-12
Jun-12
Sep-12
Dec-12
Mar-13
Jun-13
Sep-13
Dec-13
Mar-14
Jun-14
Sep-14
Dec-14
Mar-15
Jun-15
Sep-15
Dec-15
Mar-16
Jun-16
Sep-16
Dec-16
Mar-17
Jun-17
Sep-17
Dec-17
Mar-18
Jun-18
Sep-18
Dec-18
2.40%
2.27%
2.21%
1.66%
LAIF
Treasurer's Pool
Federal Funds
3 mo T-Bill

County Pool 2018-2019
Portfolio Management
Portfolio Details - Investments
December 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Cash												
SYS5495	5495	Bank of America Corp.			58,652,956.00	58,652,956.00	58,652,956.00	1.020		1.020	1	
		Subtotal and Average	**637,532.13**		**58,652,956.00**	**58,652,956.00**	**58,652,956.00**			**1.020**	**1**	
FICA												
SYS6255	6255	FICA			20,000,000.00	20,000,000.00	20,000,000.00	2.160	AAA	2.160	1	
		Subtotal and Average	**20,108,695.65**		**20,000,000.00**	**20,000,000.00**	**20,000,000.00**			**2.160**	**1**	
CAMP												
SYS5272	5272	CAMP			140,000,000.00	140,000,000.00	140,000,000.00	2.400	AAA	2.400	1	
		Subtotal and Average	**82,282,608.70**		**140,000,000.00**	**140,000,000.00**	**140,000,000.00**			**2.400**	**1**	
Local Agency Investment Funds												
SYS1009	1009	LAIF			65,000,000.00	65,000,000.00	65,000,000.00	2.210		2.210	1	
		Subtotal and Average	**65,000,000.00**		**65,000,000.00**	**65,000,000.00**	**65,000,000.00**			**2.210**	**1**	
Federal Agency Coupon Securities												
3133EFZN0	6040	Federal Farm Credit Bank		02/12/2016	4,000,000.00	3,994,440.00	4,000,000.00	1.030	AA	1.030	42	02/12/2019
3133EGR98	6184	Federal Farm Credit Bank		12/07/2016	5,000,000.00	4,920,350.00	5,000,000.00	2.020		2.020	980	09/07/2021
3133EG2S3	6227	Federal Farm Credit Bank		01/03/2017	5,000,000.00	4,999,850.00	4,999,994.03	1.280	AA	1.302	2	01/03/2019
3133EG3X1	6235	Federal Farm Credit Bank		01/17/2017	5,000,000.00	4,997,700.00	5,000,000.00	1.250		1.250	16	01/17/2019
3133EG5Q4	6270	Federal Farm Credit Bank		03/29/2017	5,300,000.00	5,295,866.00	5,299,875.11	1.300	AA	1.328	31	02/01/2019
3133EHHB2	6355	Federal Farm Credit Bank		04/27/2017	5,000,000.00	4,930,000.00	4,996,033.33	1.450	AA	1.512	482	04/27/2020
3133EHJG9	6375	Federal Farm Credit Bank		05/15/2017	5,000,000.00	4,980,050.00	4,999,906.94	1.400		1.405	134	05/15/2019
3133EHKH5	6392	Federal Farm Credit Bank		05/23/2017	5,000,000.00	4,923,100.00	4,998,718.25	1.570		1.587	569	07/23/2020
3133EHMR1	6422	Federal Farm Credit Bank		06/12/2017	5,000,000.00	4,973,600.00	5,000,000.00	1.375	AA	1.375	162	06/12/2019
3133EHRL9	6459	Federal Farm Credit Bank		07/19/2017	5,000,000.00	4,929,950.00	5,000,000.00	2.000	AA	2.000	930	07/19/2021
3133EHSV6	6468	Federal Farm Credit Bank		07/27/2017	5,000,000.00	4,992,550.00	5,000,000.00	1.350		1.350	57	02/27/2019
3133EHUK7	6478	Federal Farm Credit Bank		08/14/2017	5,000,000.00	4,963,750.00	5,000,000.00	1.400	AA	1.400	225	08/14/2019
3133EHUK7	6486	Federal Farm Credit Bank		08/21/2017	5,000,000.00	4,963,750.00	5,000,000.00	1.400	AA	1.400	225	08/14/2019
3133EHYJ6	6508	Federal Farm Credit Bank		09/12/2017	5,000,000.00	4,957,200.00	4,999,302.78	1.375	AA	1.395	254	09/12/2019
3133EHVX8	6517	Federal Farm Credit Bank		09/18/2017	5,000,000.00	4,912,650.00	4,994,328.31	1.500	AA	1.571	601	08/24/2020
3133EHZA4	6523	Federal Farm Credit Bank		09/20/2017	5,000,000.00	4,880,000.00	4,989,122.22	1.660	AA	1.743	993	09/20/2021
3133EHB69	6565	Federal Farm Credit Bank		10/03/2017	5,000,000.00	4,977,700.00	5,000,000.00	1.450	AA	1.450	153	06/03/2019
3133EFVQ7	6571	Federal Farm Credit Bank		10/24/2017	5,000,000.00	4,997,200.00	4,999,203.13	1.250	AA	1.526	21	01/22/2019
3133EHJ95	6574	Federal Farm Credit Bank		10/26/2017	5,000,000.00	4,925,600.00	4,999,393.52	1.750		1.757	664	10/26/2020

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3133EHZ89	6595	Federal Farm Credit Bank		12/05/2017	5,000,000.00	4,971,300.00	5,000,000.00	1.750		1.751	247	09/05/2019
3133EH6L2	6633	Federal Farm Credit Bank		01/10/2018	5,000,000.00	4,971,700.00	4,997,437.50	1.950		2.001	374	01/10/2020
3133EJAD1	6641	Federal Farm Credit Bank		01/23/2018	5,000,000.00	4,953,850.00	4,996,202.67	2.150		2.190	722	12/23/2020
3133EJXV6	6718	Federal Farm Credit Bank		08/28/2018	5,000,000.00	5,011,650.00	4,996,247.82	2.700		2.736	784	02/23/2021
3130A6UX3	6004	Federal Home Loan Bank		12/28/2015	5,000,000.00	4,973,200.00	5,000,000.00	1.500	AA	1.500	178	06/28/2019
3130AAUP1	6251	Federal Home Loan Bank		03/02/2017	5,000,000.00	4,991,050.00	4,999,007.85	1.250	AA	1.385	55	02/25/2019
3130ABUN4	6518	Federal Home Loan Bank		09/18/2017	5,000,000.00	4,940,750.00	5,000,000.00	1.520	AA	1.520	423	02/28/2020
3130A66T9	6526	Federal Home Loan Bank		09/21/2017	5,000,000.00	4,922,700.00	5,000,000.00	1.625	AA	1.625	619	09/11/2020
313380FB8	6533	Federal Home Loan Bank		09/22/2017	5,000,000.00	4,955,050.00	4,995,746.84	1.375		1.499	255	09/13/2019
3130ABY34	6588	Federal Home Loan Bank		11/29/2017	5,000,000.00	4,935,150.00	4,983,800.44	1.613	AA	1.849	514	05/29/2020
3130AAE46	6640	Federal Home Loan Bank		01/18/2018	5,000,000.00	4,997,500.00	4,998,773.04	1.250		1.847	15	01/16/2019
3130ADVE9	6675	Federal Home Loan Bank		03/21/2018	5,000,000.00	4,996,100.00	4,999,633.33	2.125		2.159	79	03/21/2019
3137EADK2	5971	Federal Home Loan Mortgage Co.		11/06/2015	5,000,000.00	4,958,400.00	4,993,801.49	1.250	AA	1.469	212	08/01/2019
3137EADK2	5984	Federal Home Loan Mortgage Co.		12/01/2015	5,000,000.00	4,958,400.00	4,992,498.86	1.250	AA	1.515	212	08/01/2019
3137EADM8	6030	Federal Home Loan Mortgage Co.		01/27/2016	5,000,000.00	4,948,350.00	4,997,647.92	1.250	AA	1.314	274	10/02/2019
3134GA3Q5	6248	Federal Home Loan Mortgage Co.		02/28/2017	1,840,000.00	1,813,964.00	1,840,000.00	2.050		2.050	1,154	02/28/2022
3134GBJF0	6357	Federal Home Loan Mortgage Co.		04/27/2017	5,000,000.00	4,909,300.00	5,000,000.00	1.800	AA	1.800	938	07/27/2021
3137EAEH8	6460	Federal Home Loan Mortgage Co.		07/19/2017	5,000,000.00	4,959,850.00	4,997,793.03	1.375	AA	1.447	226	08/15/2019
3134GBU83	6577	Federal Home Loan Mortgage Co.		10/30/2017	5,000,000.00	4,929,650.00	5,000,000.00	2.000		2.000	1,032	10/29/2021
3134GBP55	6622	Federal Home Loan Mortgage Co.		12/20/2017	5,000,000.00	4,915,800.00	4,965,279.37	2.000	AAA	2.220	1,211	04/26/2022
3137EADM8	6623	Federal Home Loan Mortgage Co.		12/20/2017	5,000,000.00	4,948,350.00	4,976,213.63	1.250	AA	1.895	274	10/02/2019
3137EAEJ4	6625	Federal Home Loan Mortgage Co.		12/22/2017	5,000,000.00	4,921,750.00	4,966,615.85	1.625		2.020	637	09/29/2020
3137EAEH8	6753	Federal Home Loan Mortgage Co.		12/04/2018	5,000,000.00	4,959,850.00	4,960,465.34	1.375	AA	2.664	226	08/15/2019
3137EADK2	6773	Federal Home Loan Mortgage Co.		12/19/2018	5,000,000.00	4,958,400.00	4,959,418.92	1.250	AA	2.661	212	08/01/2019
3136G1CL1	6187	Federal Nat'l Mtg. Assoc.		12/07/2016	5,000,000.00	4,942,250.00	4,999,875.85	1.500	AA	1.502	415	02/20/2020
3135G0J20	6190	Federal Nat'l Mtg. Assoc.		12/09/2016	5,000,000.00	4,878,150.00	4,960,713.58	1.375	AA	1.755	787	02/26/2021
3135G0P49	6206	Federal Nat'l Mtg. Assoc.		12/16/2016	5,000,000.00	4,946,700.00	4,981,822.69	1.000	AA	1.566	239	08/28/2019
3135G0P49	6294	Federal Nat'l Mtg. Assoc.		04/11/2017	5,000,000.00	4,946,700.00	4,985,343.06	1.000	AA	1.456	239	08/28/2019
3135G0T60	6496	Federal Nat'l Mtg. Assoc.		08/29/2017	5,000,000.00	4,917,350.00	4,998,917.22	1.500	AA	1.514	576	07/30/2020
3135G0T60	6603	Federal Nat'l Mtg. Assoc.		12/11/2017	5,000,000.00	4,917,350.00	4,965,824.03	1.500	AA	1.945	576	07/30/2020
		Subtotal and Average	**233,041,320.01**		**241,140,000.00**	**238,865,870.00**	**240,784,957.95**			**1.696**	**404**	
Federal Agency Disc. -Amortizing												
313312AB6	6676	FC Discount Note		03/22/2018	5,000,000.00	5,000,000.00	4,999,715.28	2.050		2.105	1	01/02/2019
313312BP4	6678	FC Discount Note		03/23/2018	5,000,000.00	4,988,000.00	4,989,465.28	2.050		2.108	37	02/07/2019
313312FA3	6704	FC Discount Note		06/08/2018	10,000,000.00	9,919,000.00	9,925,333.33	2.240		2.307	120	05/01/2019

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Federal Agency Disc. -Amortizing												
313312BQ2	6751	FC Discount Note		12/04/2018	5,000,000.00	4,987,650.00	4,987,597.22	2.350		2.393	38	02/08/2019
313312FF2	6752	FC Discount Note		12/04/2018	5,000,000.00	4,957,800.00	4,956,770.83	2.490	AAA	2.552	125	05/06/2019
313312CQ1	6763	FC Discount Note		12/11/2018	5,000,000.00	4,979,500.00	4,979,419.44	2.390		2.437	62	03/04/2019
313312FS4	6764	FC Discount Note		12/12/2018	5,000,000.00	4,954,050.00	4,953,155.56	2.480	AAA	2.542	136	05/17/2019
313312NV8	6759	Fed Farm Crd Discount Note		12/07/2018	5,000,000.00	4,892,050.00	4,885,727.78	2.680		2.769	307	11/04/2019
313312JT8	6765	Fed Farm Crd Discount Note		12/12/2018	10,000,000.00	9,856,700.00	9,850,216.66	2.580		2.652	209	07/29/2019
313384AD1	6629	FHLB Disc Corp		01/05/2018	5,000,000.00	4,999,350.00	4,999,250.00	1.800		1.850	3	01/04/2019
313384CR8	6670	FHLB Disc Corp		03/07/2018	5,000,000.00	4,979,150.00	4,981,975.00	2.060		2.122	63	03/05/2019
313384CZ0	6673	FHLB Disc Corp		03/15/2018	5,000,000.00	4,976,450.00	4,979,488.89	2.080		2.143	71	03/13/2019
313384DA4	6674	FHLB Disc Corp		03/19/2018	5,000,000.00	4,976,150.00	4,979,000.00	2.100		2.163	72	03/14/2019
313384BG3	6683	FHLB Disc Corp		04/05/2018	6,919,000.00	6,905,715.52	6,907,237.70	2.040		2.096	30	01/31/2019
313384FR5	6701	FHLB Disc Corp		05/25/2018	10,000,000.00	9,908,800.00	9,915,625.00	2.250		2.320	135	05/16/2019
313384CD9	6702	FHLB Disc Corp		05/30/2018	10,000,000.00	9,966,700.00	9,969,541.67	2.150		2.207	51	02/21/2019
313384CB3	6703	FHLB Disc Corp		05/30/2018	5,000,000.00	4,984,000.00	4,985,368.06	2.150		2.207	49	02/19/2019
313384HC6	6710	FHLB Disc Corp		06/21/2018	7,000,000.00	6,918,870.00	6,923,972.22	2.300		2.373	170	06/20/2019
313384FV6	6711	FHLB Disc Corp		06/20/2018	10,000,000.00	9,906,100.00	9,911,966.67	2.280		2.349	139	05/20/2019
313384HP7	6714	FHLB Disc Corp		08/20/2018	4,315,000.00	4,261,494.00	4,263,583.18	2.370	AAA	2.441	181	07/01/2019
313384ER6	6715	FHLB Disc Corp		08/24/2018	3,000,000.00	2,977,620.00	2,979,095.00	2.260	AAA	2.320	111	04/22/2019
313384MK2	6733	FHLB Disc Corp		10/15/2018	5,000,000.00	4,904,800.00	4,901,416.67	2.600		2.687	273	10/01/2019
313384BE8	6741	FHLB Disc Corp		11/30/2018	5,000,000.00	4,991,100.00	4,990,938.89	2.330	AAA	2.372	28	01/29/2019
313384CT4	6745	FHLB Disc Corp		11/30/2018	5,000,000.00	4,978,500.00	4,978,604.16	2.370	AAA	2.418	65	03/07/2019
313384BP3	6746	FHLB Disc Corp		12/03/2018	5,000,000.00	4,988,000.00	4,987,872.22	2.360	AAA	2.403	37	02/07/2019
313384DM8	6757	FHLB Disc Corp		12/07/2018	5,000,000.00	4,972,450.00	4,972,448.61	2.390		2.441	83	03/25/2019
313384BT5	6761	FHLB Disc Corp		12/10/2018	5,000,000.00	4,986,650.00	4,986,390.28	2.390	AAA	2.433	41	02/11/2019
313384DE6	6762	FHLB Disc Corp		12/11/2018	5,000,000.00	4,974,800.00	4,974,666.67	2.400		2.449	76	03/18/2019
313384CS6	6767	FHLB Disc Corp		12/13/2018	10,000,000.00	9,957,700.00	9,957,511.11	2.390		2.437	64	03/06/2019
313384EY1	6768	FHLB Disc Corp		12/14/2018	5,000,000.00	4,960,350.00	4,959,683.33	2.460		2.518	118	04/29/2019
313384FA2	6769	FHLB Disc Corp		12/14/2018	5,000,000.00	4,959,500.00	4,959,000.00	2.460		2.518	120	05/01/2019
313384CM9	6770	FHLB Disc Corp		12/17/2018	5,000,000.00	4,980,500.00	4,980,456.25	2.385		2.430	59	03/01/2019
313384FG9	6774	FHLB Disc Corp		12/19/2018	5,000,000.00	4,957,450.00	4,956,775.00	2.470		2.528	126	05/07/2019
313384FC8	6775	FHLB Disc Corp		12/20/2018	5,000,000.00	4,958,850.00	4,958,316.67	2.460		2.517	122	05/03/2019
313384GP8	6776	FHLB Disc Corp		12/20/2018	5,000,000.00	4,946,500.00	4,945,922.22	2.480	AAA	2.544	157	06/07/2019
313384FC8	6777	FHLB Disc Corp		12/20/2018	5,000,000.00	4,958,850.00	4,958,231.94	2.465		2.522	122	05/03/2019
313384FN4	6778	FHLB Disc Corp		12/20/2018	5,000,000.00	4,955,450.00	4,954,716.67	2.470		2.529	132	05/13/2019
313396DH3	6758	Freddie Discount		12/07/2018	5,000,000.00	4,973,800.00	4,973,995.84	2.370	AAA	2.419	79	03/21/2019
		Subtotal and Average	**128,332,757.42**		**221,234,000.00**	**219,700,399.52**	**219,720,451.30**			**2.381**	**102**	

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Treasury Coupon Securities												
912828TC4	5964	U.S. Treasury		10/28/2015	5,000,000.00	4,962,500.00	4,997,483.22	1.000		1.104	180	06/30/2019
912828TR1	5965	U.S. Treasury		10/28/2015	5,000,000.00	4,940,800.00	4,993,326.94	1.000		1.184	272	09/30/2019
912828TH3	5966	U.S. Treasury		10/28/2015	5,000,000.00	4,951,950.00	4,992,430.64	0.875		1.143	211	07/31/2019
912828SD3	5973	U.S. Treasury		11/10/2015	5,000,000.00	4,995,700.00	4,999,641.87	1.250		1.339	30	01/31/2019
912828L65	6167	U.S. Treasury		11/18/2016	5,000,000.00	4,901,750.00	4,983,761.95	1.375	AAA	1.567	638	09/30/2020
912828L65	6168	U.S. Treasury		11/18/2016	5,000,000.00	4,901,750.00	4,983,761.95	1.375	AAA	1.567	638	09/30/2020
912828J84	6191	U.S. Treasury		12/09/2016	5,000,000.00	4,926,550.00	4,994,114.76	1.375		1.472	455	03/31/2020
912828XE5	6192	U.S. Treasury		12/09/2016	5,000,000.00	4,926,550.00	4,997,458.63	1.500		1.537	516	05/31/2020
912828R44	6197	U.S. Treasury		12/13/2016	5,000,000.00	4,970,500.00	4,993,123.58	0.875		1.256	134	05/15/2019
912828SX9	6198	U.S. Treasury		12/13/2016	5,000,000.00	4,971,900.00	4,997,392.94	1.125		1.254	150	05/31/2019
912828S27	6216	U.S. Treasury		12/23/2016	10,000,000.00	9,678,500.00	9,793,817.23	1.125		1.993	911	06/30/2021
912828XH8	6217	U.S. Treasury		12/23/2016	5,000,000.00	4,932,400.00	4,993,692.85	1.625		1.712	546	06/30/2020
912828R85	6221	U.S. Treasury		12/27/2016	5,000,000.00	4,963,500.00	4,988,756.51	0.875		1.382	165	06/15/2019
912828R77	6284	U.S. Treasury		04/06/2017	5,000,000.00	4,871,500.00	4,953,236.83	1.375		1.779	881	05/31/2021
912828P53	6290	U.S. Treasury		04/10/2017	5,000,000.00	4,990,300.00	4,996,827.62	0.750		1.273	45	02/15/2019
912828SD3	6291	U.S. Treasury		04/10/2017	5,000,000.00	4,995,700.00	4,999,911.36	1.250		1.272	30	01/31/2019
912828W30	6560	U.S. Treasury		09/29/2017	10,000,000.00	9,979,900.00	9,996,099.80	1.125		1.373	58	02/28/2019
912828S43	6561	U.S. Treasury		09/29/2017	5,000,000.00	4,952,150.00	4,982,296.44	0.750		1.423	195	07/15/2019
912828T34	6590	U.S. Treasury		11/29/2017	5,000,000.00	4,822,450.00	4,889,116.73	1.125		1.967	1,003	09/30/2021
912828T67	6591	U.S. Treasury		11/29/2017	5,000,000.00	4,833,200.00	4,905,228.70	1.250		1.949	1,034	10/31/2021
912828S76	6592	U.S. Treasury		11/29/2017	5,000,000.00	4,831,050.00	4,897,847.48	1.125		1.949	942	07/31/2021
912828L32	6600	U.S. Treasury		12/08/2017	5,000,000.00	4,905,650.00	4,958,907.98	1.375		1.884	608	08/31/2020
912828XM7	6604	U.S. Treasury		12/11/2017	5,000,000.00	4,929,100.00	4,980,807.86	1.625		1.875	577	07/31/2020
912828H52	6611	U.S. Treasury		12/12/2017	5,000,000.00	4,927,750.00	4,968,547.18	1.250		1.846	395	01/31/2020
912828N63	6639	U.S. Treasury		01/18/2018	5,000,000.00	4,997,950.00	4,998,610.15	1.125		1.860	14	01/15/2019
912828V31	6646	U.S. Treasury		02/06/2018	5,000,000.00	4,936,900.00	4,963,197.39	1.375		2.102	379	01/15/2020
912828W22	6647	U.S. Treasury		02/06/2018	5,000,000.00	4,931,050.00	4,958,823.16	1.375		2.128	410	02/15/2020
912828D80	6657	U.S. Treasury		02/12/2018	5,000,000.00	4,967,000.00	4,986,447.73	1.625		2.043	242	08/31/2019
9128282G4	6659	U.S. Treasury		02/12/2018	5,000,000.00	4,938,300.00	4,960,795.73	0.875		2.014	257	09/15/2019
912828SH4	6666	U.S. Treasury		03/02/2018	5,000,000.00	4,991,850.00	4,994,445.16	1.375		2.085	58	02/28/2019
9128282K5	6685	U.S. Treasury		04/06/2018	10,000,000.00	9,931,600.00	9,952,191.89	1.375		2.216	211	07/31/2019
912828VP2	6695	U.S. Treasury		04/12/2018	5,000,000.00	4,958,800.00	4,970,787.66	2.000		2.381	577	07/31/2020
912828D23	6724	U.S. Treasury		09/21/2018	5,000,000.00	4,985,950.00	4,987,379.81	1.625		2.404	119	04/30/2019
9128282X7	6730	U.S. Treasury		10/05/2018	5,000,000.00	4,953,700.00	4,952,925.35	1.375		2.663	272	09/30/2019
9128282X7	6731	U.S. Treasury		10/05/2018	5,000,000.00	4,953,700.00	4,953,072.92	1.375		2.659	272	09/30/2019
912828XS4	6732	U.S. Treasury		10/09/2018	5,000,000.00	4,974,400.00	4,974,333.94	1.250		2.514	150	05/31/2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
		Subtotal and Average	**205,992,393.75**		**195,000,000.00**	**192,584,300.00**	**193,890,601.94**			**1.787**	**377**	

Treasury Discounts -Amortizing

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
912796PP8	6689	U.S. Treasury		04/10/2018	5,000,000.00	4,990,800.00	4,991,958.33	1.930		1.981	30	01/31/2019
912796QS1	6712	U.S. Treasury		07/16/2018	10,000,000.00	9,995,000.00	9,994,750.00			2.152	9	01/10/2019
912796QX0	6716	U.S. Treasury		08/28/2018	5,000,000.00	4,985,700.00	4,986,738.89	2.170		2.223	44	02/14/2019
912796QX0	6717	U.S. Treasury		08/28/2018	5,000,000.00	4,985,700.00	4,986,738.89	2.170		2.223	44	02/14/2019
912796QR3	6719	U.S. Treasury		08/29/2018	5,000,000.00	4,932,300.00	4,935,650.00	2.340		2.411	198	07/18/2019
912796QU6	6720	U.S. Treasury		09/14/2018	5,000,000.00	4,993,050.00	4,993,004.17	2.190		2.238	23	01/24/2019
912796QZ5	6721	U.S. Treasury		09/19/2018	5,000,000.00	4,978,850.00	4,979,416.67	2.280		2.337	65	03/07/2019
912796QW2	6722	U.S. Treasury		09/19/2018	5,000,000.00	4,988,200.00	4,988,540.28	2.230		2.281	37	02/07/2019
912796QU6	6723	U.S. Treasury		09/20/2018	10,000,000.00	9,986,100.00	9,985,880.56	2.210		2.258	23	01/24/2019
912796RA9	6725	U.S. Treasury		09/25/2018	5,000,000.00	4,911,650.00	4,912,158.34	2.490		2.572	254	09/12/2019
912796QH5	6728	U.S. Treasury		09/27/2018	5,000,000.00	4,952,450.00	4,952,765.28	2.395		2.460	142	05/23/2019
912796RJ0	6734	U.S. Treasury		11/08/2018	5,000,000.00	4,959,800.00	4,959,246.53	2.425		2.488	121	05/02/2019
912796RP6	6735	U.S. Treasury		11/13/2018	5,000,000.00	4,957,000.00	4,956,533.33	2.445		2.509	128	05/09/2019
912796QH5	6736	U.S. Treasury		11/27/2018	5,000,000.00	4,952,450.00	4,951,581.95	2.455		2.520	142	05/23/2019
912796PX1	6737	U.S. Treasury		11/28/2018	5,000,000.00	4,972,000.00	4,971,763.33	2.364		2.416	86	03/28/2019
912796RJ0	6738	U.S. Treasury		11/28/2018	5,000,000.00	4,959,800.00	4,959,330.56	2.420		2.479	121	05/02/2019
912796RR2	6739	U.S. Treasury		11/29/2018	5,000,000.00	4,950,150.00	4,948,988.20	2.465		2.531	149	05/30/2019
912796RP6	6742	U.S. Treasury		11/30/2018	5,000,000.00	4,957,000.00	4,956,622.22	2.440		2.501	128	05/09/2019
912796PT0	6743	U.S. Treasury		11/30/2018	5,000,000.00	4,981,150.00	4,981,351.39	2.315		2.361	58	02/28/2019
912796RJ0	6747	U.S. Treasury		12/03/2018	5,000,000.00	4,959,800.00	4,958,977.64	2.441		2.500	121	05/02/2019
912796RR2	6748	U.S. Treasury		12/04/2018	5,000,000.00	4,950,150.00	4,948,781.25	2.475		2.540	149	05/30/2019
912796RH4	6749	U.S. Treasury		12/04/2018	5,000,000.00	4,964,750.00	4,963,813.19	2.435		2.492	107	04/18/2019
912796RR2	6750	U.S. Treasury		12/04/2018	5,000,000.00	4,950,150.00	4,948,781.25	2.475		2.540	149	05/30/2019
912796QC6	6754	U.S. Treasury		12/06/2018	5,000,000.00	4,962,250.00	4,961,525.00	2.430		2.487	114	04/25/2019
912796QZ5	6755	U.S. Treasury		12/06/2018	5,000,000.00	4,978,850.00	4,978,694.44	2.360		2.407	65	03/07/2019
912796RS0	6756	U.S. Treasury		12/07/2018	5,000,000.00	4,947,350.00	4,946,375.00	2.475		2.541	156	06/06/2019
912796RF8	6760	U.S. Treasury		12/07/2018	5,000,000.00	4,901,700.00	4,900,027.09	2.553		2.631	282	10/10/2019
912796RU5	6766	U.S. Treasury		12/13/2018	5,000,000.00	4,945,050.00	4,943,855.55	2.480		2.546	163	06/13/2019
912796RS0	6771	U.S. Treasury		12/18/2018	5,000,000.00	4,947,350.00	4,946,862.50	2.453		2.516	156	06/06/2019
912796RU5	6772	U.S. Treasury		12/19/2018	5,000,000.00	4,945,050.00	4,944,647.91	2.445		2.509	163	06/13/2019
		Subtotal and Average	**102,412,533.86**		**160,000,000.00**	**158,841,600.00**	**158,835,359.74**			**2.407**	**108**	

Federal Agency Coupon - Callables

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
3133EFWX1	6033	Federal Farm Credit Bank		01/28/2016	5,000,000.00	4,996,400.00	4,999,906.25	1.270	AA	1.296	27	01/28/2019

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon - Callables												
3133EF2L0	6063	Federal Farm Credit Bank		04/13/2016	5,000,000.00	4,921,800.00	5,000,000.00	1.400	AA	1.400	468	04/13/2020
3133EF3P0	6067	Federal Farm Credit Bank		04/20/2016	6,003,000.00	5,904,010.53	6,002,100.77	1.490	AA	1.500	566	07/20/2020
3133EGAE5	6088	Federal Farm Credit Bank		05/18/2016	5,000,000.00	4,935,600.00	4,998,492.59	1.360		1.388	413	02/18/2020
3133EGDW2	6099	Federal Farm Credit Bank		06/08/2016	5,000,000.00	4,928,300.00	5,000,000.00	1.520		1.520	524	06/08/2020
3133EGEU5	6101	Federal Farm Credit Bank		06/14/2016	5,000,000.00	4,900,300.00	5,000,000.00	1.540	AA	1.540	713	12/14/2020
3133EGHP3	6112	Federal Farm Credit Bank		06/29/2016	5,000,000.00	4,915,900.00	5,000,000.00	1.420		1.420	545	06/29/2020
3133EGJR7	6118	Federal Farm Credit Bank		07/05/2016	5,000,000.00	4,961,550.00	5,000,000.00	1.020	AAA	1.020	185	07/05/2019
3133EGA62	6158	Federal Farm Credit Bank		11/04/2016	5,000,000.00	4,937,650.00	4,999,094.71	1.160	AA	1.182	304	11/01/2019
3133EG4F9	6237	Federal Farm Credit Bank		01/19/2017	5,000,000.00	4,938,450.00	4,999,743.75	1.930	AA	1.933	749	01/19/2021
3133EHEJ8	6313	Federal Farm Credit Bank		04/18/2017	5,000,000.00	4,956,100.00	5,000,000.00	1.625	AAA	1.625	367	01/03/2020
3133EJCK3	6656	Federal Farm Credit Bank		02/12/2018	5,600,000.00	5,583,872.00	5,600,000.00	2.470	AA	2.470	773	02/12/2021
3133EJCG2	6660	Federal Farm Credit Bank		02/14/2018	5,000,000.00	4,999,900.00	5,000,000.00	2.730	AA	2.730	1,140	02/14/2022
3130A7RA5	6068	Federal Home Loan Bank		04/22/2016	5,000,000.00	4,908,050.00	5,000,000.00	1.650		1.650	752	01/22/2021
3130AANA2	6240	Federal Home Loan Bank		01/30/2017	5,000,000.00	4,939,100.00	5,000,000.00	1.750	AA	1.750	576	07/30/2020
3130AB3T1	6342	Federal Home Loan Bank		04/24/2017	5,000,000.00	4,939,550.00	5,000,000.00	1.750	AA	1.750	570	07/24/2020
3130ABNQ5	6440	Federal Home Loan Bank		06/29/2017	5,000,000.00	4,931,300.00	4,996,274.37	1.625	AA	1.677	542	06/26/2020
3130ABVU7	6469	Federal Home Loan Bank		07/27/2017	5,000,000.00	4,927,150.00	5,000,000.00	1.625	AA	1.625	573	07/27/2020
3130AC6P4	6483	Federal Home Loan Bank		08/17/2017	5,000,000.00	4,901,450.00	5,000,000.00	2.160		2.160	1,324	08/17/2022
3130ABB21	6489	Federal Home Loan Bank		08/23/2017	5,000,000.00	4,965,100.00	4,999,290.04	1.375		1.400	206	07/26/2019
3130A6JG3	6525	Federal Home Loan Bank		09/21/2017	5,000,000.00	4,945,000.00	4,999,372.97	1.700	AA	1.710	469	04/14/2020
3130ACGC2	6548	Federal Home Loan Bank		09/27/2017	5,000,000.00	4,957,550.00	4,998,891.67	1.500	AA	1.531	269	09/27/2019
3130ACGC2	6549	Federal Home Loan Bank		09/27/2017	5,000,000.00	4,957,550.00	5,000,000.00	1.500	AA	1.500	269	09/27/2019
3130ACDU5	6563	Federal Home Loan Bank		09/29/2017	1,960,000.00	1,923,740.00	1,957,262.10	1.800	AA	1.859	910	06/29/2021
3130ACHQ0	6570	Federal Home Loan Bank		10/19/2017	5,000,000.00	4,927,850.00	4,997,600.00	1.750	AA	1.778	657	10/19/2020
3130ACKD5	6572	Federal Home Loan Bank		10/24/2017	5,000,000.00	4,914,350.00	5,000,000.00	2.250	AA	2.250	1,392	10/24/2022
3130ACN83	6578	Federal Home Loan Bank		10/30/2017	5,000,000.00	4,942,500.00	4,998,380.33	1.700	AA	1.724	500	05/15/2020
3130ACUK8	6587	Federal Home Loan Bank		11/28/2017	5,000,000.00	4,928,000.00	5,000,000.00	2.000		2.000	878	05/28/2021
3130ACV43	6602	Federal Home Loan Bank		12/08/2017	4,250,000.00	4,192,752.50	4,245,023.81	2.125		2.167	1,060	11/26/2021
3130ACNM2	6605	Federal Home Loan Bank		12/11/2017	5,000,000.00	4,897,900.00	4,985,309.83	2.280		2.362	1,394	10/26/2022
3130ACZE7	6609	Federal Home Loan Bank		12/12/2017	5,000,000.00	4,958,050.00	5,000,000.00	2.000		2.000	528	06/12/2020
3130ACN83	6621	Federal Home Loan Bank		12/19/2017	5,000,000.00	4,942,500.00	4,983,457.27	1.700	AA	1.947	500	05/15/2020
3130AD6W7	6630	Federal Home Loan Bank		01/05/2018	5,000,000.00	4,947,800.00	4,997,795.71	2.510	AA	2.522	1,458	12/29/2022
3130ADFV9	6642	Federal Home Loan Bank		01/29/2018	5,000,000.00	4,971,000.00	5,000,000.00	2.250		2.250	759	01/29/2021
3130ADC26	6643	Federal Home Loan Bank		01/29/2018	5,000,000.00	4,957,350.00	5,000,000.00	2.200	AA	2.200	759	01/29/2021
3130ADCP5	6669	Federal Home Loan Bank		03/07/2018	5,540,000.00	5,515,014.60	5,491,875.71	2.350	AA	2.650	1,120	01/25/2022
3130ADG48	6672	Federal Home Loan Bank		03/08/2018	5,000,000.00	4,968,800.00	4,972,839.19	2.250	AA	2.522	759	01/29/2021

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Federal Agency Coupon - Callables												
3130ADU83	6677	Federal Home Loan Bank		03/22/2018	5,000,000.00	4,999,300.00	4,998,145.83	2.650	AA	2.667	811	03/22/2021
3130ADG48	6690	Federal Home Loan Bank		04/10/2018	5,000,000.00	4,968,800.00	4,972,200.20	2.250	AA	2.528	759	01/29/2021
3130AE4Y3	6700	Federal Home Loan Bank		04/30/2018	5,000,000.00	4,997,300.00	5,000,000.00	2.540		2.540	485	04/30/2020
3134G8VN6	6056	Federal Home Loan Mortgage Co.		03/31/2016	1,000,000.00	978,930.00	1,000,000.00	1.600		1.600	818	03/29/2021
3134G8TV1	6057	Federal Home Loan Mortgage Co.		03/31/2016	2,000,000.00	1,994,520.00	2,000,000.00	1.220	AA	1.220	87	03/29/2019
3134G8W21	6059	Federal Home Loan Mortgage Co.		04/08/2016	7,000,000.00	6,913,480.00	7,000,000.00	1.375		1.375	363	12/30/2019
3134G9AP2	6069	Federal Home Loan Mortgage Co.		04/26/2016	4,540,000.00	4,501,773.20	4,540,000.00	1.200	AA	1.200	206	07/26/2019
3134G8WH8	6070	Federal Home Loan Mortgage Co.		04/27/2016	5,250,000.00	5,170,830.00	5,250,000.00	1.400	AA	1.400	482	04/27/2020
3134G9AH0	6072	Federal Home Loan Mortgage Co.		04/27/2016	5,000,000.00	4,930,500.00	5,000,000.00	1.300	AA	1.300	391	01/27/2020
3134G9AH0	6073	Federal Home Loan Mortgage Co.		04/27/2016	4,000,000.00	3,944,400.00	4,000,000.00	1.300	AA	1.300	391	01/27/2020
3134G9BA4	6074	Federal Home Loan Mortgage Co.		04/28/2016	4,250,000.00	4,171,545.00	4,250,000.00	1.370		1.370	574	07/28/2020
3134G9DF1	6080	Federal Home Loan Mortgage Co.		05/04/2016	5,000,000.00	4,935,400.00	5,000,000.00	1.410		1.410	399	02/04/2020
3134G9GS0	6093	Federal Home Loan Mortgage Co.		05/26/2016	5,000,000.00	4,952,800.00	5,000,000.00	1.250	AA	1.250	237	08/26/2019
3134G9UM7	6113	Federal Home Loan Mortgage Co.		06/30/2016	5,000,000.00	4,904,300.00	5,000,000.00	1.500	AA	1.730	911	06/30/2021
3134G92B2	6139	Federal Home Loan Mortgage Co.		08/18/2016	5,000,000.00	4,994,650.00	4,999,794.50	0.950	AA	1.002	29	01/30/2019
3134GATV6	6154	Federal Home Loan Mortgage Co.		11/01/2016	5,000,000.00	4,987,950.00	5,000,000.00	1.750	AA	1.323	300	10/28/2019
3134G92B2	6182	Federal Home Loan Mortgage Co.		12/07/2016	5,000,000.00	4,994,650.00	4,998,780.72	0.950	AA	1.258	29	01/30/2019
3134GA5Z3	6264	Federal Home Loan Mortgage Co.		03/08/2017	5,750,000.00	5,745,860.00	5,746,155.32	2.000	AA	1.756	605	08/28/2020
3134GA7A6	6265	Federal Home Loan Mortgage Co.		03/09/2017	5,000,000.00	4,960,050.00	5,000,000.00	1.500	AA	1.500	251	09/09/2019
3134GBAG7	6297	Federal Home Loan Mortgage Co.		04/11/2017	5,000,000.00	4,940,700.00	5,000,000.00	1.750	AA	1.750	545	06/29/2020
3134GBFV9	6354	Federal Home Loan Mortgage Co.		04/27/2017	5,000,000.00	4,979,250.00	5,000,000.00	2.250	AA	1.917	482	04/27/2020
3134GBTG7	6449	Federal Home Loan Mortgage Co.		07/03/2017	5,000,000.00	4,923,000.00	4,998,499.26	1.875	AA	1.889	818	03/29/2021
3134GBWE8	6454	Federal Home Loan Mortgage Co.		07/14/2017	5,000,000.00	4,952,500.00	4,997,636.84	1.750	AA	1.707	910	06/29/2021
3134GBUG5	6464	Federal Home Loan Mortgage Co.		07/21/2017	5,000,000.00	4,931,600.00	4,998,093.10	1.625		1.651	545	06/29/2020
3134GBB35	6477	Federal Home Loan Mortgage Co.		08/10/2017	5,000,000.00	4,931,200.00	5,000,000.00	1.700	AA	1.700	587	08/10/2020
3134GBE65	6498	Federal Home Loan Mortgage Co.		08/30/2017	5,000,000.00	4,894,750.00	5,000,000.00	2.050	AA	2.050	1,333	08/26/2022
3134GBM33	6547	Federal Home Loan Mortgage Co.		09/27/2017	5,000,000.00	4,956,850.00	4,998,891.67	1.500	AA	1.531	269	09/27/2019
3134GBL83	6550	Federal Home Loan Mortgage Co.		09/27/2017	5,000,000.00	4,940,650.00	5,000,000.00	1.600		1.600	451	03/27/2020
3134GBN32	6556	Federal Home Loan Mortgage Co.		09/28/2017	4,100,000.00	4,038,418.00	4,098,809.86	1.700	AA	1.717	636	09/28/2020
3134GBF64	6557	Federal Home Loan Mortgage Co.		09/28/2017	5,000,000.00	4,916,200.00	5,000,000.00	1.600	AA	1.600	636	09/28/2020
3134GBN40	6562	Federal Home Loan Mortgage Co.		09/29/2017	5,000,000.00	4,931,600.00	5,000,000.00	1.625	AA	1.625	545	06/29/2020
3134GBH21	6564	Federal Home Loan Mortgage Co.		09/29/2017	5,000,000.00	4,918,650.00	4,993,603.70	1.700	AA	1.776	637	09/29/2020
3134GBP89	6575	Federal Home Loan Mortgage Co.		10/26/2017	5,000,000.00	4,922,000.00	5,000,000.00	1.850		1.850	846	04/26/2021
3134G92B2	6584	Federal Home Loan Mortgage Co.		11/17/2017	5,000,000.00	4,994,650.00	4,997,153.58	0.950	AA	1.666	29	01/30/2019
3134GB3B6	6596	Federal Home Loan Mortgage Co.		12/07/2017	5,000,000.00	4,938,800.00	4,996,823.77	2.000	AA	2.031	787	02/26/2021
3134GB7G1	6624	Federal Home Loan Mortgage Co.		12/21/2017	5,000,000.00	4,958,650.00	5,000,000.00	2.250		2.200	1,450	12/21/2022

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon - Callables												
3134GB5W8	6626	Federal Home Loan Mortgage Co.		12/28/2017	5,000,000.00	4,948,450.00	5,000,000.00	2.050		2.050	909	06/28/2021
3134GSAC9	6627	Federal Home Loan Mortgage Co.		12/28/2017	5,000,000.00	4,942,800.00	5,000,000.00	2.050		2.050	727	12/28/2020
3134GBX80	6648	Federal Home Loan Mortgage Co.		02/07/2018	5,000,000.00	4,917,950.00	4,936,718.70	2.300	AA	2.650	1,413	11/14/2022
3134GSCD5	6652	Federal Home Loan Mortgage Co.		02/08/2018	5,000,000.00	4,957,950.00	4,964,340.68	2.550	AA	2.738	1,490	01/30/2023
3134GSET8	6663	Federal Home Loan Mortgage Co.		02/27/2018	5,000,000.00	4,981,100.00	5,000,000.00	2.500		2.500	969	08/27/2021
3134GSCM5	6664	Federal Home Loan Mortgage Co.		02/28/2018	7,850,000.00	7,826,057.50	7,831,719.97	2.700	AA	2.760	1,519	02/28/2023
3134G9ZN0	6679	Federal Home Loan Mortgage Co.		03/28/2018	5,000,000.00	4,960,450.00	4,955,525.86	1.500	AA	2.520	546	06/30/2020
3136G2WV5	6034	Federal Nat'l Mtg. Assoc.		01/29/2016	5,000,000.00	4,996,150.00	5,000,000.00	1.220		1.220	24	01/25/2019
3135G0J38	6049	Federal Nat'l Mtg. Assoc.		02/26/2016	5,000,000.00	4,990,800.00	5,000,000.00	1.250		1.250	56	02/26/2019
3136G3MG7	6085	Federal Nat'l Mtg. Assoc.		05/18/2016	5,000,000.00	4,927,300.00	5,000,000.00	1.500		1.500	503	05/18/2020
3136G3MN2	6092	Federal Nat'l Mtg. Assoc.		05/24/2016	5,000,000.00	4,979,950.00	5,000,000.00	1.500	AA	1.250	143	05/24/2019
3136G3MH5	6098	Federal Nat'l Mtg. Assoc.		06/07/2016	5,000,000.00	4,974,000.00	5,000,000.00	1.250	AA	1.250	149	05/30/2019
3136G3TN5	6114	Federal Nat'l Mtg. Assoc.		06/30/2016	5,000,000.00	4,931,150.00	5,000,000.00	1.210		1.210	363	12/30/2019
3136G3F59	6135	Federal Nat'l Mtg. Assoc.		07/26/2016	5,000,000.00	4,977,200.00	5,000,000.00	1.060		1.060	115	04/26/2019
3136G3ZT5	6136	Federal Nat'l Mtg. Assoc.		07/26/2016	5,000,000.00	4,982,700.00	5,000,000.00	2.000		1.245	206	07/26/2019
3135G0M91	6138	Federal Nat'l Mtg. Assoc.		08/10/2016	5,000,000.00	4,958,250.00	4,999,173.08	1.125	AA	1.155	206	07/26/2019
3136G3U86	6143	Federal Nat'l Mtg. Assoc.		08/25/2016	5,000,000.00	4,899,750.00	5,000,000.00	1.300		1.300	602	08/25/2020
3136G4DR1	6152	Federal Nat'l Mtg. Assoc.		10/17/2016	5,000,000.00	4,939,400.00	4,998,013.89	1.100	AA	1.151	289	10/17/2019
3136G4GU1	6177	Federal Nat'l Mtg. Assoc.		11/30/2016	5,000,000.00	4,944,350.00	4,994,876.28	1.400		1.517	328	11/25/2019
3136G3K53	6178	Federal Nat'l Mtg. Assoc.		12/02/2016	5,000,000.00	4,960,550.00	4,993,955.73	1.260	AA	1.471	213	08/02/2019
3136G4JR5	6223	Federal Nat'l Mtg. Assoc.		12/27/2016	5,000,000.00	4,945,300.00	5,000,000.00	1.625		1.625	451	03/27/2020
3136G4KD4	6224	Federal Nat'l Mtg. Assoc.		12/29/2016	5,000,000.00	4,940,500.00	5,000,000.00	1.750	AA	1.750	545	06/29/2020
3136G4KD4	6225	Federal Nat'l Mtg. Assoc.		12/29/2016	5,000,000.00	4,940,500.00	4,997,865.08	1.750	AA	1.780	545	06/29/2020
3136G4KW2	6247	Federal Nat'l Mtg. Assoc.		02/14/2017	3,200,000.00	3,168,448.00	3,200,000.00	1.650		1.650	409	02/14/2020
3136G4KQ5	6252	Federal Nat'l Mtg. Assoc.		03/03/2017	5,000,000.00	4,951,550.00	4,996,672.73	1.650	AA	1.715	381	01/17/2020
3136G2YL5	6285	Federal Nat'l Mtg. Assoc.		04/06/2017	5,000,000.00	4,999,050.00	4,996,540.18	2.000	AA	1.814	787	02/26/2021
3136G4GF4	6586	Federal Nat'l Mtg. Assoc.		11/27/2017	3,700,000.00	3,583,746.00	3,643,863.19	1.550	AA	2.112	1,031	10/28/2021
3136G4RH8	6644	Federal Nat'l Mtg. Assoc.		01/30/2018	5,000,000.00	4,955,500.00	4,997,748.84	2.200	AA	2.223	757	01/27/2021
3136G3Y25	6649	Federal Nat'l Mtg. Assoc.		02/07/2018	5,000,000.00	4,849,200.00	4,880,563.38	1.500	AA	2.446	967	08/25/2021
		Subtotal and Average	**506,332,946.92**		**500,993,000.00**	**495,685,847.33**	**500,444,877.01**			**1.764**	**604**	
		Total and Average	**1,344,140,788.44**		**1,602,019,956.00**	**1,589,330,972.85**	**1,597,329,203.94**			**1.957**	**321**	

County Pool 2018-2019
Portfolio Management
Portfolio Details - Cash
December 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity
		Average Balance	0.00								0
		Total Cash and Investments	1,344,140,788.44		1,602,019,956.00	1,589,330,972.85	1,597,329,203.94			1.957	321

County Pool 2018-2019
Maturity Report
Sorted by Maturity Date
Amounts due during October 1, 2018 - December 31, 2018

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
313313H84	6582	1	AFD	FCDN	5,000,000.00	10/01/2018	11/03/2017	1.480	5,000,000.00	0.00	5,000,000.00	0.00
912828L81	6694	1	TRC	USTR	5,000,000.00	10/15/2018	04/12/2018	0.875	5,000,000.00	21,875.00	5,021,875.00	21,875.00
3130AAM47	6239	1	MC1	FHLB	5,000,000.00	10/26/2018	01/26/2017	1.200	5,000,000.00	30,000.00	5,030,000.00	30,000.00
3133EGA70	6153	1	MC1	FFCB	5,000,000.00	11/01/2018	11/01/2016	0.970	5,000,000.00	24,250.00	5,024,250.00	24,250.00
912828M64	6696	1	TRC	USTR	5,000,000.00	11/15/2018	04/12/2018	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
3134GAAP9	6141	1	MC1	FHLMC	5,000,000.00	11/23/2018	08/23/2016	1.000	5,000,000.00	12,500.00	5,012,500.00	12,500.00
912796UF4	6744	1	ATD	USTR	10,000,000.00	12/26/2018	11/30/2018	2.260	10,000,000.00	0.00	10,000,000.00	0.00
313385U79	6680	1	AFD	FHLB	2,000,000.00	12/27/2018	04/02/2018	1.990	2,000,000.00	0.00	2,000,000.00	0.00
912796QQ5	6726	1	ATD	USTR	5,000,000.00	12/27/2018	09/26/2018	2.165	5,000,000.00	0.00	5,000,000.00	0.00
912828U99	6559	1	TRC	USTR	5,000,000.00	12/31/2018	09/29/2017	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
912828U99	6727	1	TRC	USTR	5,000,000.00	12/31/2018	09/26/2018	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
			Total Maturities		**57,000,000.00**				**57,000,000.00**	**182,375.00**	**57,182,375.00**	**182,375.00**

County Pool 2018-2019
Purchases Report
Sorted by Fund - Fund
October 1, 2018 - December 31, 2018

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
Treasurer's Pooled Investments													
9128282X7	6730	1	TRC	USTR	5,000,000.00	10/05/2018	03/31 - 09/30	4,937,695.31	944.37	1.375	09/30/2019	2.663	4,952,925.35
9128282X7	6731	1	TRC	USTR	5,000,000.00	10/05/2018	03/31 - 09/30	4,937,890.63	944.37	1.375	09/30/2019	2.659	4,953,072.92
912828XS4	6732	1	TRC	USTR	5,000,000.00	10/09/2018	11/30 - 05/31	4,959,960.94	Received	1.250	05/31/2019	2.514	4,974,333.94
313384MK2	6733	1	AFD	FHDN	5,000,000.00	10/15/2018	10/01 - At Maturity	4,873,250.00		2.600	10/01/2019	2.687	4,901,416.67
912796RJ0	6734	1	ATD	USTR	5,000,000.00	11/08/2018	05/02 - At Maturity	4,941,059.03		2.425	05/02/2019	2.488	4,959,246.53
912796RP6	6735	1	ATD	USTR	5,000,000.00	11/13/2018	05/09 - At Maturity	4,939,893.75		2.445	05/09/2019	2.509	4,956,533.33
912796QH5	6736	1	ATD	USTR	5,000,000.00	11/27/2018	05/23 - At Maturity	4,939,647.92		2.455	05/23/2019	2.520	4,951,581.95
912796PX1	6737	1	ATD	USTR	5,000,000.00	11/28/2018	03/28 - At Maturity	4,960,600.00		2.364	03/28/2019	2.416	4,971,763.33
912796RJ0	6738	1	ATD	USTR	5,000,000.00	11/28/2018	05/02 - At Maturity	4,947,902.78		2.420	05/02/2019	2.479	4,959,330.56
912796RR2	6739	1	ATD	USTR	5,000,000.00	11/29/2018	05/30 - At Maturity	4,937,690.28		2.465	05/30/2019	2.531	4,948,988.20
313384BE8	6741	1	AFD	FHDN	5,000,000.00	11/30/2018	01/29 - At Maturity	4,980,583.33		2.330	01/29/2019	2.372	4,990,938.89
313384CT4	6745	1	AFD	FHDN	5,000,000.00	11/30/2018	03/07 - At Maturity	4,968,070.83		2.370	03/07/2019	2.418	4,978,604.16
912796RP6	6742	1	ATD	USTR	5,000,000.00	11/30/2018	05/09 - At Maturity	4,945,777.78		2.440	05/09/2019	2.501	4,956,622.22
912796PT0	6743	1	ATD	USTR	5,000,000.00	11/30/2018	02/28 - At Maturity	4,971,062.50		2.315	02/28/2019	2.361	4,981,351.39
912796UF4	6744	1	ATD	USTR	10,000,000.00	11/30/2018	12/26 - At Maturity	9,983,677.78		2.260	12/26/2018	2.295	0.00
313384BP3	6746	1	AFD	FHDN	5,000,000.00	12/03/2018	02/07 - At Maturity	4,978,366.67		2.360	02/07/2019	2.403	4,987,872.22
912796RJ0	6747	1	ATD	USTR	5,000,000.00	12/03/2018	05/02 - At Maturity	4,949,145.83		2.441	05/02/2019	2.500	4,958,977.64
313312BQ2	6751	1	AFD	FCDN	5,000,000.00	12/04/2018	02/08 - At Maturity	4,978,458.33		2.350	02/08/2019	2.393	4,987,597.22
313312FF2	6752	1	AFD	FCDN	5,000,000.00	12/04/2018	05/06 - At Maturity	4,947,087.50		2.490	05/06/2019	2.552	4,956,770.83
3137EAEH8	6753	1	FAC	FHLMC	5,000,000.00	12/04/2018	02/15 - 08/15	4,955,700.00	20,815.97	1.375	08/15/2019	2.664	4,960,465.34
912796RR2	6748	1	ATD	USTR	5,000,000.00	12/04/2018	05/30 - At Maturity	4,939,156.25		2.475	05/30/2019	2.540	4,948,781.25
912796RH4	6749	1	ATD	USTR	5,000,000.00	12/04/2018	04/18 - At Maturity	4,954,343.75		2.435	04/18/2019	2.492	4,963,813.19
912796RR2	6750	1	ATD	USTR	5,000,000.00	12/04/2018	05/30 - At Maturity	4,939,156.25		2.475	05/30/2019	2.540	4,948,781.25
912796QC6	6754	1	ATD	USTR	5,000,000.00	12/06/2018	04/25 - At Maturity	4,952,750.00		2.430	04/25/2019	2.487	4,961,525.00
912796QZ5	6755	1	ATD	USTR	5,000,000.00	12/06/2018	03/07 - At Maturity	4,970,172.22		2.360	03/07/2019	2.407	4,978,694.44
313312NV8	6759	1	AFD	FFCBDN	5,000,000.00	12/07/2018	11/04 - At Maturity	4,876,422.22		2.680	11/04/2019	2.769	4,885,727.78
313384DM8	6757	1	AFD	FHDN	5,000,000.00	12/07/2018	03/25 - At Maturity	4,964,150.00		2.390	03/25/2019	2.441	4,972,448.61
313396DH3	6758	1	AFD	FMCDN	5,000,000.00	12/07/2018	03/21 - At Maturity	4,965,766.67		2.370	03/21/2019	2.419	4,973,995.84
912796RS0	6756	1	ATD	USTR	5,000,000.00	12/07/2018	06/06 - At Maturity	4,937,781.25		2.475	06/06/2019	2.541	4,946,375.00
912796RF8	6760	1	ATD	USTR	5,000,000.00	12/07/2018	10/10 - At Maturity	4,891,164.24		2.553	10/10/2019	2.631	4,900,027.09
313384BT5	6761	1	AFD	FHDN	5,000,000.00	12/10/2018	02/11 - At Maturity	4,979,087.50		2.390	02/11/2019	2.433	4,986,390.28
313312CQ1	6763	1	AFD	FCDN	5,000,000.00	12/11/2018	03/04 - At Maturity	4,972,448.61		2.390	03/04/2019	2.437	4,979,419.44

Received = Accrued Interest at Purchase was received by report ending date.

County Pool 2018-2019
Purchases Report
October 1, 2018 - December 31, 2018

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
Treasurer's Pooled Investments													
313384DE6	6762	1	AFD	FHDN	5,000,000.00	12/11/2018	03/18 - At Maturity	4,967,666.67		2.400	03/18/2019	2.449	4,974,666.67
313312FS4	6764	1	AFD	FCDN	5,000,000.00	12/12/2018	05/17 - At Maturity	4,946,266.67		2.480	05/17/2019	2.542	4,953,155.56
313312JT8	6765	1	AFD	FFCBDN	10,000,000.00	12/12/2018	07/29 - At Maturity	9,835,883.33		2.580	07/29/2019	2.652	9,850,216.66
313384CS6	6767	1	AFD	FHDN	10,000,000.00	12/13/2018	03/06 - At Maturity	9,944,897.22		2.390	03/06/2019	2.437	9,957,511.11
912796RU5	6766	1	ATD	USTR	5,000,000.00	12/13/2018	06/13 - At Maturity	4,937,311.11		2.480	06/13/2019	2.546	4,943,855.55
313384EY1	6768	1	AFD	FHDN	5,000,000.00	12/14/2018	04/29 - At Maturity	4,953,533.33		2.460	04/29/2019	2.518	4,959,683.33
313384FA2	6769	1	AFD	FHDN	5,000,000.00	12/14/2018	05/01 - At Maturity	4,952,850.00		2.460	05/01/2019	2.518	4,959,000.00
313384CM9	6770	1	AFD	FHDN	5,000,000.00	12/17/2018	03/01 - At Maturity	4,975,487.50		2.385	03/01/2019	2.430	4,980,456.25
912796RS0	6771	1	ATD	USTR	5,000,000.00	12/18/2018	06/06 - At Maturity	4,942,093.75		2.453	06/06/2019	2.516	4,946,862.50
313384FG9	6774	1	AFD	FHDN	5,000,000.00	12/19/2018	05/07 - At Maturity	4,952,315.28		2.470	05/07/2019	2.528	4,956,775.00
3137EADK2	6773	1	FAC	FHLMC	5,000,000.00	12/19/2018	02/01 - 08/01	4,957,100.00	23,958.33	1.250	08/01/2019	2.661	4,959,418.92
912796RU5	6772	1	ATD	USTR	5,000,000.00	12/19/2018	06/13 - At Maturity	4,940,233.33		2.445	06/13/2019	2.509	4,944,647.91
313384FC8	6775	1	AFD	FHDN	5,000,000.00	12/20/2018	05/03 - At Maturity	4,954,216.67		2.460	05/03/2019	2.517	4,958,316.67
313384GP8	6776	1	AFD	FHDN	5,000,000.00	12/20/2018	06/07 - At Maturity	4,941,788.89		2.480	06/07/2019	2.544	4,945,922.22
313384FC8	6777	1	AFD	FHDN	5,000,000.00	12/20/2018	05/03 - At Maturity	4,954,123.61		2.465	05/03/2019	2.522	4,958,231.94
313384FN4	6778	1	AFD	FHDN	5,000,000.00	12/20/2018	05/13 - At Maturity	4,950,600.00		2.470	05/13/2019	2.529	4,954,716.67
				Subtotal	**255,000,000.00**			**252,482,287.51**	**46,663.04**				**242,937,808.82**
				Total Purchases	**255,000,000.00**			**252,482,287.51**	**46,663.04**				**242,937,808.82**

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2019 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2019 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2019 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue 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 and www.dtc.org.

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

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security 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, Security 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 the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.