PRELIMINARY OFFICIAL STATEMENT DATED MAY 7, 2019

NEW ISSUE – BOOK-ENTRY ONLY **RATING: S&P: "AA-"**
(See "MISCELLANEOUS – Rating.")

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 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 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 Bonds. See "TAX MATTERS."

$11,210,000*
SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
2019 GENERAL OBLIGATION REFUNDING BONDS

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

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 Rita Union School District (the "**District**") 2019 General Obligation Refunding Bonds (the "**Bonds**") are being issued and sold by the District (i) to refund all or a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series A (the "**2006A Bonds**"), (ii) to refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series B (Bank Qualified) (the "**2006B Bonds**" and, together with the 2006A Bonds, the "**Outstanding Bonds**") and (iii) to pay costs of issuance of the Bonds. The Outstanding Bonds to be refunded and defeased are collectively referred to herein as the "**Refunded Bonds**."

The Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. The Board of Supervisors of the County of Monterey will be 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 Bonds, without any further action on the part of the District, the Owners or Beneficial Owners of the Bonds, payable solely from *ad valorem* property taxes. See "THE BONDS – Payment of Principal and Interest" and APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued pursuant to the laws of the State of California (the "**State**"), a resolution adopted by the Board of Trustees of the District on March 27, 2019 (the "**District Resolution**"), and a paying agent agreement, dated as of May 1, 2019 (the "**Paying Agent Agreement**"), by and between the District and U.S. Bank National Association, as paying agent (the "**Paying Agent**"), and acknowledged by the Treasurer-Tax Collector of the County of Monterey (the "**County**"). See "THE BONDS."

The Bonds will be issued as current interest bonds in denominations of $5,000 principal amount and integral multiples thereof as shown on the inside cover page of this Official Statement. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing on August 1, 2019.

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

The Bonds are subject to redemption prior to maturity as described herein.* See "THE BONDS – Redemption."

The 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, San Francisco, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, and for the Underwriter by Norton Rose Fulbright US LLP. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 29, 2019.

BARCLAYS

Dated: __________, 2019.

* Preliminary, subject to change.

MATURITY SCHEDULE

$11,210,000*
SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
2019 GENERAL OBLIGATION REFUNDING BONDS

Maturity (August 1)	Principal Amount	Interest Rate	Yield†	CUSIP‡ No. (______)

$__________ ____% Term Bond due August 1, 20__; Yield† ____%; CUSIP‡ No. ______ ___

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* Preliminary, subject to change.
† Yields certified by the Underwriter. The District takes no responsibility therefor.
‡ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offering of any security other than the original offering of the 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 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 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 opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 part of, their responsibility to investors under the federal securities law 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 contained in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” 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 its 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 investment decisions with respect to the Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the 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 Bonds to certain securities dealers and dealer banks and banks acting as agents 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.

SANTA RITA UNION SCHOOL DISTRICT

Administration

Timothy Ryan, *Acting Superintendent*
Rosa Zamudio, *Chief Business Officer*
Debbie Campbell, *Senior Business Officer*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Municipal Advisor
PFM Financial Advisors LLC
San Francisco, California

Paying Agent and Escrow Agent
U.S. Bank National Association
San Francisco, California

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

TABLE OF CONTENTS

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$11,210,000*
SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
2019 GENERAL OBLIGATION REFUNDING BONDS

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 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 Bonds 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 (this "**Official Statement**"), is provided to furnish information in connection with the sale of $11,210,000* aggregate principal amount of Santa Rita Union School District 2019 General Obligation Refunding Bonds (the "**Bonds**"), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The Santa Rita Union School District (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."

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the resolution of the Board of Trustees of the District (the "**Board of Trustees**"), adopted on March 27, 2019, providing for the issuance of the Bonds (the "**District Resolution**"), 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 Bonds.

Copies of documents referred to herein and information concerning the Bonds are available from the District by contacting: Santa Rita Union School District, 55 Russell Road, Salinas, California 93906, Attention: Acting Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was formed on July 1, 1948 by the union of the former Santa Rita School District and the Natividad School District, which were created in 1871 and 1899, respectively. The District encompasses an area of approximately 50 square miles. The District is a union elementary school district located in central Monterey County (the "**County**") to the north of the City of Salinas. The District maintains four elementary schools (grades K-5), two middle schools (grades 6-8) and one preschool located on the site of one of the middle schools.

The District has projected enrollment of approximately 3,645 students and average daily attendance ("**A.D.A.**") of approximately 3,461.63 students for fiscal year 2018-19. The District has budgeted for approximately 315.7 full-time equivalent ("**FTE**") employees, including 185.0 FTE certificated (teaching) employees, 103.7 FTE classified (non-

* Preliminary, subject to change.

teaching) employees and 27.0 management, supervisor, and confidential employees for fiscal year 2018-19. The District's projected fiscal year 2018-19 general fund expenditures are approximately $38.7 million.

The District is governed by the Board of Trustees consisting of five members. The members of the Board of Trustees are elected to four-year terms in staggered years. The Superintendent (the "**Superintendent**") acts as the chief executive officer of the District. Timothy Ryan was recently appointed Acting Superintendent of the District, and is expected to become the permanent Superintendent of the District on July 1, 2019. Rosa Zamudio has served as the District's Chief Business Officer since May 2019.

For additional information regarding the District's operations and finances, 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 BONDS

Authority for Issuance; Purpose

The Bonds are being issued by the District pursuant to the State Constitution and State laws, including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code (the "**Government Code**"), applicable provisions of the State Education Code (the "**Education Code**") and other applicable provisions of law. The Bonds are authorized by the District Resolution, and are being issued pursuant to a paying agent agreement, dated as of May 1, 2019 (the "**Paying Agent Agreement**"), by and between the District and U.S. National Bank Association, as Paying Agent (the "**Paying Agent**"), and acknowledged by the Treasurer-Tax Collector of the County (the "**County Treasurer**").

The Government Code permits the issuance of bonds payable from *ad valorem* property taxes without a vote of the electors solely to refund other outstanding general obligation bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded. Proceeds from the Bonds will be used (i) to refund all or a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series A (the "**2006A Bonds**"), (ii) to refund all or a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series B (Bank Qualified) (the "**2006B Bonds**" and, together with the 2006A Bonds, the "**Outstanding Bonds**") and (iii) to pay costs of issuance of the Bonds. The Outstanding Bonds to be refunded and defeased are collectively referred to herein as the "**Refunded Bonds**."

Form and Registration

The Bonds will be issued in fully registered form only in denominations of $5,000 principal amount or integral multiples thereof. The 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 Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in the Bonds or any transfer thereof 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 Bonds, beneficial owners ("**Beneficial Owners**" or "**Owners**") will not receive physical certificates representing their ownership interests. Principal and interest will be paid by the Paying Agent to DTC, which will in turn remit such payments to DTC participants for subsequent distribution to Beneficial Owners of the Bonds, as described herein. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Bonds will be dated the date of their delivery, and bear interest at the rates set forth on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing on August 1, 2019 (each, an "**Interest Payment Date**"), until payment of the principal amount thereof, computed using a year of 360 days, consisting of twelve 30 day months. Bonds authenticated and registered on any date prior to the close of business on July 15, 2019 will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the "**Record Date**") and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the preceding Record Date, such interest to be paid by check or draft mailed to such Owner at such Owner's address as it appears on such registration books or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of $1,000,000 or more of Bonds may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

Principal will be payable on August 1 of each year, commencing on August 1, 2021, upon surrender of Bonds at such office of the Paying Agent as the Paying Agent shall designate. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District (the "**Interest and Sinking Fund**") within the County treasury, consisting of *ad valorem* property taxes collected and held by the County Treasurer, together with any accrued interest received upon issuance of the Bonds.

So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Bonds and all notices with respect to such Bonds will be made and given, respectively, to such securities depository or its nominee and not to Beneficial Owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 2027 are not subject to redemption prior to their respective stated maturity dates. The 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 thereof called for redemption plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The $__________ Term Bond maturing on August 1, 20__, is also subject to mandatory sinking fund redemption on each mandatory sinking fund redemption date 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, without premium, together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount To be Redeemed
	$
†	

† Maturity

The principal amount to be redeemed in each year shown in the tables above will be reduced at the option of the District, in integral multiples of $5,000, by the amount of such Term Bond optionally redeemed prior to the mandatory sinking fund redemption date, if any.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, such bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. If less than all of the Bonds of any given maturity are called for redemption, the portions of such bonds of a given maturity to be redeemed shall be determined by

* Preliminary, subject to change.

lot. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of denominations of $5,000 principal amount each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of the Bonds will be mailed postage prepaid not less than 20 nor more than 60 days prior to the date fixed for redemption (i) by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books of the Paying Agent, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the affected Bonds and the date of issue of the Bonds; (iii) the date fixed for redemption; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the then outstanding Bonds are to be redeemed, the distinctive serial numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the office of the Paying Agent, or at such other place or places designated by the Paying Agent for such purpose; (x) notice that further interest on such 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 Bond of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such 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 amount necessary for the payment of the redemption price of the Bonds called for redemption is set aside for such purpose, the Bonds designated for redemption will become due and payable on the date fixed for redemption and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such date fixed for redemption will look for the payment of such Bonds and the redemption premium thereon, if any, only to moneys on deposit in the Interest and Sinking Fund or the escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

Conditional Notice. Any notice of optional redemption of the Bonds delivered in accordance herewith may be conditioned on any fact or circumstance stated therein, and if such condition shall not have been satisfied on or prior to the redemption date stated in such notice, said notice will be of no force and effect on and as of the stated redemption date, the redemption will be cancelled, and the District will not be required to redeem the Bonds that were the subject of the notice. The Paying Agent will give notice of such cancellation and the reason therefor in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund 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 Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Defeasance of Bonds

The District may pay and discharge any or all of the 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, be fully sufficient in the opinion of a certified public accountant licensed to practice in the State to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If at any time the District pays or causes to be paid or there is otherwise paid to the Owners of any or all outstanding Bonds all of the principal, interest and premium, if any, represented by such Bonds when due, or as described above, or as otherwise provided by law, then such Owners shall cease to be entitled to the obligation of the County to levy and collect taxes to pay the Bonds as described in the Paying Agent Agreement, and such obligation and all agreements and covenants of the District and of the County to such Owners hereunder and under the District Resolution shall thereupon be satisfied and discharged and shall terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by such Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment, provided, that the unclaimed moneys provisions described in the Paying Agent Agreement will apply in all events.

Unclaimed Moneys

Any money held in any fund created pursuant to the Paying Agent Agreement, or held by the Paying Agent in trust, for the payment of the principal of, redemption premium, if any, or interest on the Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund 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 shall be transferred to the general fund of the District (the "**General Fund**") as provided and permitted by law.

Plan of Refunding

The Bonds will be issued to (i) refund and defease all or a portion of the outstanding 2006A Bonds, (ii) refund and defease all or a portion of the outstanding 2006B Bonds and (iii) pay costs of issuance of the Bonds. Further description of the Refunded Bonds is provided in the tables on the following page.

A portion of the proceeds from Bonds will be deposited into the Escrow Fund (the "**Escrow Fund**") to be established and maintained by U.S. Bank National Association, acting as escrow agent (the "**Escrow Agent**") under that certain escrow agreement, dated as of May 1, 2019 (the "**Escrow Agreement**"), by and between the District and the Escrow Agent. Such moneys will be used to purchase certain direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or "prerefunded" municipal obligations rated in the highest rating category by S&P (as defined herein) or Moody's Investors Service, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Agent to pay any interest due on the Refunded Bonds to the respective redemption dates, and the respective redemption prices on the respective redemption dates. See "ESCROW VERIFICATION."

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a Costs of Issuance Fund and used to pay costs associated with the issuance of the Bonds and the refunding of the Refunded Bonds. Any proceeds of sale of the Bonds not needed to redeem the Refunded Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Bonds will be transferred to the County Treasurer for deposit in the District's Interest and Sinking Fund, and applied only for payment of principal of and interest on outstanding bonds of the District. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Bonds, will be invested at the sole discretion of the County Treasurer pursuant to law and the investment policy of the County. See APPENDIX E – "COUNTY OF MONTEREY INVESTMENT POLICY AND INVESTMENT REPORT."

Causey Demgen & Moore, P.C., a Certified Public Accountant licensed to practice in the State, acting as verification agent (the "**Verification Agent**") with respect to the Escrow Fund, will verify the mathematical accuracy of the computations relating to the sufficiency of the moneys proposed to be deposited and invested in the Escrow Fund, together with earnings thereon, for the payment of any principal and interest due on the Refunded Bonds to the respective redemption dates of the Refunded Bonds.

The Refunded Bonds to be refunded are as follows:

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Election of 2006 General Obligation Bonds, Series A
Redemption Date: June 28, 2019*[*]*
Redemption Price: 100%

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP No.[†] (802564)
2019	$ 325,000	4.000%	FB5
2020	370,000	4.000	FC3
2021	420,000	4.150	FD1
2022	470,000	4.250	FE9
2023	530,000	4.250	FF6
2024	590,000	4.300	FG4
2025	650,000	4.375	FH2
2026	720,000	4.400	FJ8
2032[†]	6,160,000	5.000	FK5

[†] Term Bond.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Election of 2006 General Obligation Bonds, Series B (Bank Qualified)
Redemption Date: June 28, 2019[*]
Redemption Price: 100%

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP No.[†] (802564)
2033	$435,000	4.500%	FS8

[*] Preliminary, subject to change.
[†] CUSIP numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds	
[Net] Original Issue Premium/Discount	
Total Sources of Funds:	

Uses of Funds

Escrow Fund	
Underwriter's Discount	
Costs of Issuance[(1)]	
Total Uses of Funds:	

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(1) Includes Bond Counsel fees, Disclosure Counsel fees, rating agency fees, Municipal Advisor fees, Paying Agent fees, Escrow Agent fees, Verification Agent fees, printing fees and other miscellaneous expenses.

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DEBT SERVICE SCHEDULES

Semi-Annual Debt Service Payments for the Bonds

The following tables show the semi-annual debt service requirements of the Bonds, assuming no early redemptions:

Payment Date	Principal	Interest
August 1, 2019		
February 1, 2020		
August 1, 2020		
February 1, 2021		
August 1, 2021		
February 1, 2022		
August 1, 2022		
February 1, 2023		
August 1, 2023		
February 1, 2024		
August 1, 2024		
February 1, 2025		
August 1, 2025		
February 1, 2026		
August 1, 2026		
February 1, 2027		
August 1, 2027		
February 1, 2028		
August 1, 2028		
February 1, 2029		
August 1, 2029		
February 1, 2030		
August 1, 2030		
February 1, 2031		
August 1, 2031		
February 1, 2032		
August 1, 2032		
February 1, 2033		
August 1, 2033		
Total		

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Combined Annual Debt Service

The District has previously issued and currently has outstanding its Refunded Bonds and its 2017 General Obligation Refunding Bonds. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Debt Structure." Annual debt service obligations for all outstanding bonds of the District, including the Bonds (assuming no optional redemptions prior to maturity) are expected to be as follows:

Bond Year	Outstanding Bonds[(1)]	The Bonds	Total Annual Debt Service
2019	$1,450,052.25		
2020	1,481,691.75		
2021	1,508,095.30		
2022	1,546,842.50		
2023	1,586,352.30		
2024	1,628,370.75		
2025	1,666,906.50		
2026	1,708,259.70		
2027	1,750,424.40		
2028	1,803,576.40		
2029	1,845,938.10		
2030	1,897,931.86		
2031	1,953,960.66		
2032	2,002,115.30		
2033	1,879,300.00		
2034	1,558,518.76		
2035	1,365,000.00		
2036	1,420,000.00		
2037	1,480,000.00		
2038	1,540,000.00		
2039	1,600,000.00		
2040	1,665,000.00		
2041	1,730,000.00		
Total	$38,068,336.53		

(1) Includes debt service on the Refunded Bonds.

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SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District within the County, 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, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of the bonds of the District.

The Bonds are payable from the *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 the County. No fund of the County is pledged or obligated to repayment of the Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the 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

Pursuant to the District Resolution, the District pledges all revenues from the property taxes collected from the levy by the Board of Supervisors for the payment of the Bonds (as defined below) of the District and amounts on deposit in the Interest and Sinking Fund to the payment of the principal or redemption price of and interest on the Bonds. The Bonds shall be valid and binding from the date of the District Resolution for the benefit of the owners of the Bonds and successors thereto. The property taxes and amounts held in the Interest and Sinking Fund 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 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 term "Bonds" for purpose of this pledge contained in the District Resolution means all bonds, including refunding bonds, of the District heretofore or hereafter issued pursuant to voter approved measures of the District, as all such Bonds are required by State law to be paid from the Interest and Sinking Fund.

The pledge is an agreement between the District and the bondholders to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other Bonds secured by the pledge are or were issued to finance 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. 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, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, 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 mandated by law, the County Treasurer has sole responsibility for the levy and collection of the tax imposed to pay the principal of and interest on the District's bonds. Pursuant to State law, the proceeds of the tax levy are never in the custody of the District or available for any other purpose, and are at all times segregated from the operating revenues of the District. The District has no role in the process of taxation and payment of the District's bonds. Although the District may have legal authority to supplement the payments on its bonds by transferring operating revenues to the Interest and Sinking Fund administered by the County Treasurer, there is no statutory obligation that the District uses its operating revenues to support its bonds in this way. Neither the principal of nor interest on the Bonds is payable from the District's General Fund or from State revenues.

Assessed Valuation of Property Within the District

All property (real, personal and intangible) is taxable unless an exemption is granted by the State 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 (the "**Board of Equalization**").

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 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 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 County. The District is unable to predict future transfers of State-assessed property in the District and the 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 Board of Equalization is commonly identified for taxation purposes as "utility" property.

The following table shows the assessed valuation of the various classes of property in the District for recent fiscal years.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Assessed Valuations
Fiscal Years 2009-10 through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2009-10	$1,590,252,935	$450	$67,105,746	$1,657,359,131	--
2010-11	1,511,872,327	450	62,816,030	1,574,688,807	(4.99)%
2011-12	1,489,043,654	450	59,098,408	1,548,142,512	(1.69)
2012-13	1,507,183,471	100	56,896,458	1,564,080,029	1.03
2013-14	1,541,180,817	100	59,687,193	1,600,868,110	2.35
2014-15	1,685,685,245	100	59,086,341	1,744,771,686	8.99
2015-16	1,771,749,052	100	62,734,117	1,834,483,269	5.14
2016-17	1,863,534,179	250	62,897,834	1,926,432,263	5.01
2017-18	1,957,437,562	250	59,435,215	2,016,873,027	4.69
2018-19	2,053,015,848	250	59,764,355	2,112,780,453	4.76

Source: California Municipal Statistics, Inc.

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 land 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, sea level rise, 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.

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 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 (escalated to the 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. 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.

Wildfire. In recent years, portions of California, including adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Property damage due to wildfire could result in a significant decrease in the assessed value of the District. It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

Bonding Capacity. As an union 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 $26.4 million, and its net bonding capacity is approximately $6.2 million, not taking into account the issuance of the 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 for fiscal year 2018-19.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Salinas	$1,522,472,029	72.06%	$11,460,172,316	13.28%
Unincorporated Monterey County	590,308,424	27.94	33,338,499,036	1.77
Total District	$2,112,780,453	100.00%		
Monterey County	$2,112,780,453	100.00%	$66,729,286,211	3.17%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table shows 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 RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
2018-19 Local Secured Assessed Valuation and Parcels by Land Use

Non-Residential:	2018-19 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Rural/Agricultural/Nursery	$207,743,570	10.12%	174	3.48%
Commercial	340,566,928	16.59	110	2.20
Vacant Commercial	8,973,302	0.44	12	0.24
Industrial	13,479,550	0.66	9	0.18
Vacant Industrial	701,651	0.03	1	0.02
Recreational	1,829,217	0.09	3	0.06
Government/Social/Institutional	87,657	0.00	104	2.08
Miscellaneous	37,291,070	1.82	58	1.16
Subtotal Non-Residential	$610,672,945	29.75%	471	9.43%
Residential:				
Single Family Residence	$1,192,208,607	58.07%	3,721	74.51%
Condominium/Townhouse	36,486,785	1.78	267	5.35
Mobile Home	9,835,580	0.48	342	6.85
Mobile Home Park	16,279,298	0.79	8	0.16
2-4 Residential Units	26,185,195	1.28	80	1.60
5+ Residential Units/Apartments	151,817,696	7.39	28	0.56
Vacant Residential	9,529,742	0.46	77	1.54
Subtotal Residential	$1,442,342,903	70.25%	4,523	90.57%
Total	$2,053,015,848	100.00%	4,994	100.00%

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

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Assessed Valuation of Single-Family Homes. The following table focuses on single-family residential properties only, the value of which comprised approximately 58.1% of the assessed value of taxable property in the District in fiscal year 2018-19. The average assessed value was $320,400, and the median assessed value was $309,000.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Per Parcel 2018-19 Assessed Valuation of Single-Family Homes

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,721	$1,192,208,607	$320,400	$309,000

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	13	0.349%	0.349%	$ 230,130	0.019%	0.019%
$25,000 - $49,999	51	1.371	1.720	1,964,362	0.165	0.184
$50,000 - $74,999	123	3.306	5.026	7,775,554	0.652	0.836
$75,000 - $99,999	134	3.601	8.627	11,629,436	0.975	1.812
$100,000 - $124,999	86	2.311	10.938	9,723,708	0.816	2.627
$125,000 - $149,999	120	3.225	14.163	16,473,156	1.382	4.009
$150,000 - $174,999	104	2.795	16.958	17,161,849	1.440	5.449
$175,000 - $199,999	181	4.864	21.822	34,119,978	2.862	8.310
$200,000 - $224,999	217	5.832	27.654	46,199,979	3.875	12.186
$225,000 - $249,999	272	7.310	34.964	64,539,122	5.413	17.599
$250,000 - $274,999	244	6.557	41.521	64,209,726	5.386	22.985
$275,000 - $299,999	224	6.020	47.541	64,372,745	5.399	28.384
$300,000 - $324,999	255	6.853	54.394	79,723,677	6.687	35.071
$325,000 - $349,999	222	5.966	60.360	74,896,821	6.282	41.354
$350,000 - $374,999	238	6.396	66.756	86,535,284	7.258	48.612
$375,000 - $399,999	158	4.246	71.002	61,222,279	5.135	53.747
$400,000 - $424,999	159	4.273	75.275	65,706,585	5.511	59.258
$425,000 - $449,999	162	4.354	79.629	70,896,928	5.947	65.205
$450,000 - $474,999	134	3.601	83.230	61,817,870	5.185	70.390
$475,000 - $499,999	110	2.956	86.187	53,552,069	4.492	74.882
$500,000 and greater	514	13.813	100.000	299,457,349	25.118	100.000
Total	3,721	100.000%		$1,192,208,607	100.000%	

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

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Largest Taxpayers in District. The twenty 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 shown below.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Largest 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Harden Ranch Plaza Associates LLC	Commercial	$80,898,652	3.94%
2.	CMP-1 LLC	Apartments	39,899,944	1.94
3.	John Suppes	Apartments	37,234,577	1.81
4.	Wal-Mart Real Estate Business Trust	Shopping Center	31,065,522	1.51
5.	Home Depot USA Inc.	Commercial	30,109,290	1.47
6.	Plaza Club Apartments LP	Apartments	24,802,316	1.21
7.	Chemical Lime Company of Arizona	Mining	23,594,759	1.15
8.	AG Land Trust Inc.	Agricultural	18,303,106	0.89
9.	Santa Rita GRF2 LLC	Shopping Center	15,944,862	0.78
10.	Dayton Hudson Corporation	Commercial	15,256,468	0.74
11.	Growers Transplanting Inc.	Nursery	14,573,147	0.71
12.	Global AG Properties USA LLC	Agricultural	13,951,733	0.68
13.	Towman LLC	Apartments	13,821,500	0.67
14.	T & T Enterprises LP	Commercial	12,741,050	0.62
15.	Espinosa Road Salinas LP	Agricultural	11,781,306	0.57
16.	Darrick Hoskins Trust	Auto Sales	11,633,440	0.57
17.	Anthony & Christine Sammut	Restaurant	10,955,703	0.53
18.	American Takii Inc.	Nursery	10,892,002	0.53
19.	Sakata Seed America Inc.	Nursery	10,113,002	0.49
20.	Shaker Square Center LLC	Shopping Center	8,877,567	0.43
			$436,449,946	21.26%

[1] 2018-19 Local Secured Assessed Valuation: $2,053,015,848.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. 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 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 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 land 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 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 5-035).

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Typical Tax Rates per $100 of Assessed Valuation
(TRA 5-035)

	2014-15	2015-16	2016-17	2017-18	2018-19[1]
County-Wide	1.000000	1.000000	1.000000	1.000000	1.000000
Santa Rita Union School District Bonds	.074306	.073099	.069957	.068688	.067580
Salinas Union High School District Bonds	.043381	.072048	.069467	.065209	.030790
Hartnell Community College District Bonds	.020616	.021133	.019209	.037237	.037649
Total	1.138303	1.166280	1.158633	1.171134	1.136019

(1) 2018-19 assessed valuation of TRA 5-035 is $865,004,912, which is 42.13% of the district's total assessed valuation.
Source: California Municipal Statistics, Inc.

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 scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the 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 and 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 $23 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state 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.

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 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 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.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Tax Collections and Delinquencies
2008-09 through 2017-18

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent (June 30)	Percent Delinquent
2008-09	$1,215,211.00	$62,239.54	5.12%
2009-10	1,139,587.00	33,057.14	2.90
2010-11	1,138,689.00	17,661.94	1.55
2011-12	1,184,376.00	13,787.90	1.16
2012-13	1,202,245.00	11,993.71	1.00
2013-14	1,232,986.00	12,067.99	0.98
2014-15	1,241,762.00	10,520.94	0.85
2015-16	1,284,534.00	10,048.52	0.78
2016-17	1,293,485.00	8,747.52	0.68
2017-18	1,334,584.00	9,106.42	0.68

(1) District's general obligation bond levy.
Source: California Municipal Statistics, Inc.

Teeter Plan. For counties that have approved its implementation, the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**") authorized by Sections 4701-4717 of the State Revenue & Taxation Code guarantees distribution of all *ad valorem* taxes levied to the taxing entities within a county, with the county retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections. The purpose of utilizing the Teeter Plan is to simplify the tax-levying and tax-apportioning process and to provide increased flexibility to counties in the use of available cash resources.

The county cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus 1% of that year's tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the county's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the county (which commences on July 1), the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. The board of supervisors may also, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the 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 rolls in that agency.

While the Board of Supervisors of the County has approved implementation of the Teeter Plan, the County does not apply the Teeter Plan to school district general obligation bond tax levies. Consequently, for taxes levied in the County to pay debt service on the Bonds, the District will receive actual collections (including penalties and interest) for that purpose, rather than the amount levied.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective May 1, 2019 for debt issued as of May 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. The second column shows 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 shown in the table) produces the amount shown in the third column, 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 RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Direct and Overlapping Bonded Debt

2018-19 Assessed Valuation: $2,112,780,453

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/19
Hartnell Joint Community College District	7.396%	$15,059,858
Salinas Union High School District	12.523	11,373,795
Santa Rita Union School District	**100.000**	**20,241,975**[1]
Monterey County Water Resources Agency, Zone No. 2-C	6.996	1,529,326
California State Community Development Authority Community Facilities District No. 97-1	100.000	807,542
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$49,012,496
OVERLAPPING GENERAL FUND DEBT:		
Monterey County General Fund Obligations	3.166%	$ 5,103,394
Monterey County Office of Education Certificates of Participation	3.166	44,799
City of Salinas Certificates of Participation	13.285	15,152,124
Monterey County Regional Fire Protection District Pension Fund Bonds	4.385	265,073
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$20,565,390
Less: Monterey County supported obligations		1,269,560
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$19,295,830
GROSS COMBINED TOTAL DEBT		$69,577,886[2]
NET COMBINED TOTAL DEBT		$68,308,326

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($20,241,975) 0.96%
Total Direct and Overlapping Tax and Assessment Debt............2.32%
Gross Combined Total Debt..3.29%
Net Combined Total Debt 3.23%

(1) Excludes the Bonds to be sold, but includes the Refunded Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
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 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 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 relating to the Bonds is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 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 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 Bonds is the first price at which a substantial amount of such maturity of the 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 Bonds accrues daily over the term to maturity of such 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 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 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 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 Bonds may adversely affect the value of, or the tax status of interest on, the 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 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 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 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 Bonds. Prospective purchasers of the 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 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 Bonds ends with the issuance of the 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 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 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 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Possible Limitations on Remedies

General. The following is a discussion of certain considerations in the event that the District should become a debtor in a bankruptcy proceeding. It is not an exhaustive discussion of the potential application of bankruptcy law to the District.

State law contains a number of safeguards to protect the financial solvency of school districts. If the safeguards are not successful in preventing the District from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the District for the adjustment of its debts, assuming that the District meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. Under current State law, the District is not itself authorized to file a bankruptcy proceeding, and it is not subject to an involuntary bankruptcy proceeding.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District or the County (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, including the obligation of the County and the District to raise taxes if necessary to pay the Bonds, if the bankruptcy court determines that the plan is fair and equitable and otherwise complies with the Bankruptcy Code. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Limitations on Plans of Adjustments. Chapter 9 of the Bankruptcy Code provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in the state in the exercise of its political or governmental powers, including expenditures for such exercise. In addition, Chapter 9 provides that a bankruptcy court may not interfere with the political or governmental powers of the debtor, unless the debtor consents to that action or the plan so provides. State law provides that *ad valorem* taxes may be levied to pay the principal of and interest on the Bonds and other voted general obligation bonds of the District in an unlimited amount, and that proceeds of such a levy must be used for the payment of principal of and interest on the District's general obligation bonds, including the Bonds, and for no other purpose. Under State law, the District's share of the 1% limited tax imposed by the County is the only *ad valorem* tax revenue that may be raised and expended to pay liabilities and expenses of the District other than its voter-approved debt, such as its general obligation bonds. If the State law restriction on the levy and expenditure of *ad valorem* taxes is respected in a bankruptcy case, then *ad valorem* tax revenue in excess of the District's share of the 1% limited County tax could not be used by the District for any purpose under its plan other than to make payments on the Bonds and its other voted general obligation bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to state law, all general obligation bonds issued by local agencies, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes. State law provides that the lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the bonds are executed and delivered. As a result, the lien on debt service taxes will continue to be valid with respect to post-petition receipts of debt service taxes, should the District become the subject of bankruptcy proceedings. However, the automatic stay provisions of the Bankruptcy Code would apply, preventing bondholders from enforcing their rights to payment from such taxes, so payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Bonds. The Bonds and the District's other general obligation bonds were approved at elections held on propositions that described the projects for which such bonds may be issued. As noted above, State law prohibits the use of the proceeds of the District's debt service tax for any purpose other than payment of its general obligation bonds, and the bond proceeds may only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payment of general obligation bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

The Bankruptcy Code provides that there is no stay of application of pledged special revenues to payment of indebtedness secured by such revenues. The United States Court of Appeals for the First Circuit, in a case arising out of the insolvency proceedings of Puerto Rico, recently held that this provision permitted voluntary payments of debt service by the issuer of bonds backed by special revenues, but did not permit the bondholders to compel the issuer to make payments of debt service from special revenues. If this decision is followed by other courts, the holders of the Bonds may be prohibited from taking any action to require the District or the County to make payments on the Bonds without the bankruptcy court's permission. This could result in substantial delays in payments on the Bonds.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds.

Bondholders may experience delays or reductions in payments on the Bonds, the Bonds may decline in value or Bondholders may experience other adverse effects should the District file for bankruptcy.

Possession of Tax Revenues; Remedies. If the District goes into bankruptcy and the District or the County has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the District or the County, as applicable, does not voluntarily pay such tax revenues to the Owners of the Bonds, it is not entirely clear what procedures the Owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. A similar risk would exist if the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy).

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed form of opinion of Bond Counsel, attached hereto as Appendix C, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Bonds at the time of issuance of the Bonds 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.

Legality for Investment in the State of California

Under the provisions of the State Financial Code, the Bonds are a legal investment for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors and, under provisions of the Government Code, the 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 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 ("**EMMA**") 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 in 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 Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The District has prior undertakings pursuant to the Rule. The District did not file its annual report, including audited financial statements, in a timely manner for the fiscal year ended June 30, 2015. In addition, for the fiscal year ended June 30, 2018, the District filed the annual report on timely basis, however, did not properly link some of its outstanding, applicable issuances, which have now been corrected as of this date. The District has retained PFM Financial Advisors LLC to assist with the District's continuing disclosure undertakings.

No Litigation

No litigation is pending or threatened concerning the validity of the 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 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 Bonds or District or County officials who will sign certifications relating to the 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 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.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of the projected payments of principal and interest on the government obligations, and the projected payments of principal, redemption premium, if any, and interest to redeem and defease the Refunded Bonds will be verified by Causey Demgen & Moore, P.C., as Verification Agent. Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any effort to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Rating

S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. 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 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 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. PFM Financial Advisors LLC, is acting as the District's Municipal Advisor with respect to the Bonds. Payment of the fees and expenses of the Municipal Advisor is also contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are being purchased for reoffering to the public by Barclays Capital Inc. (the "**Underwriter**"), pursuant to the terms of a bond purchase agreement executed on __________, 2019, by and between the Underwriter and the District (the "**Purchase Contract**"). The Underwriter has agreed to purchase the Bonds at a price of $__________, consisting of the aggregate principal amount of $__________, plus/less $________ [net] original issue premium/discount and less $________ underwriter's discount. The Purchase Contract provides that the Underwriter will purchase all of the Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the 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.

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ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Bonds. Quotations from and summaries and explanations of the 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 Bonds.

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

SANTA RITA UNION SCHOOL DISTRICT

By: ______________________________

Acting Superintendent

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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 Rita Union 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 Bonds is payable from the general fund of the District or from State revenues. Each series of the Bonds is 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 Monterey (the "**County**") on property within the District in an amount sufficient for the timely payment of principal of and interest on each series of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."*

THE DISTRICT

General

The District was formed on July 1, 1948 by the union of the former Santa Rita School District and the Natividad School District, which were created in 1871 and 1899, respectively. The District encompasses an rea of approximately 50 square miles. The District is a union elementary school district located in central Monterey County to the north of the City of Salinas. The District maintains four elementary schools (grades K-5), two middle schools (grades 6-8) and one preschool, located on the site of one of the middle schools.

The District has projected enrollment of approximately 3,645 students and average daily attendance of approximately 3,461.63 students for fiscal year 2018-19. The District has budgeted for approximately 315.7 full-time equivalent ("**FTE**") employees, including 185.0 FTE certificated (teaching) employees, 103.7 FTE classified (non-teaching) employees and 27.0 management, supervisor and confidential employees for fiscal year 2018-19. The District's projected fiscal year 2018-19 general fund expenditures are approximately $38.7 million.

Board of Trustees

The District is governed by a Board of Trustees consisting of five members who are elected to staggered four-year terms. The day-to-day operations of the Board of Trustees are managed by a board-appointed Superintendent of Schools. Timothy Ryan was recently appointed Acting Superintendent of the District, and is expected to become the permanent Superintendent of the District on July 1, 2019.

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 (see "– Allocation of State Funding to School Districts; Local Control Funding Formula" below) 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" below). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects to receive approximately 75.1% 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 $30.3 million in fiscal year 2018-19. Such amount includes both the State funding provided under the Local Control Funding Formula 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 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 State 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 revenues from 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 educational agencies therein implemented a new funding formula for school finance system called the Local Control Funding Formula (the "**Local Control Funding Formula**" or "**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" below 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. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still 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 State 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 on 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 Bonds, and the District takes no responsibility for informing owners of the 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 State 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.

Rainy Day Fund; SB 858. In connection with the 2014-15 State Budget, the Governor proposed certain constitutional amendments ("**Proposition 2**") to the rainy day fund (the "**Rainy Day Fund**") for the November 2014 Statewide election. Senate Bill 858 (2014) ("**SB 858**") amends the Education Code of the State to, among other things, limit the amount of reserves that may be maintained by a school district subject to certain State budget matters. Upon the approval of Proposition 2, SB 858 became operational. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2."

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("**AB 1469**") which implements a new funding strategy for the California State Teachers' Retirement System ("**CalSTRS**"), increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See "– Retirement Benefits – *CalSTRS*" below for more information about CalSTRS and AB 1469.

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 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 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 $149.3 billion (including a prior year balance of approximately $12.4 billion) and total expenditures in fiscal year 2018-19 totaled approximately $144.1 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately $147.9 billion, inclusive of revenues and transfers of approximately $142.6 billion and a prior year balance of $5.2 billion. The Proposed 2019-20 State Budget projects total expenditures of $144.2 billion, inclusive of non-Proposition 98 expenditures of approximately $88.9 billion and Proposition 98 expenditures of approximately $55.3 billion. The Proposed 2019-20 State Budget proposes to allocate approximately $1.4 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.3 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 $15.3 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 fiscal years 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 $597.0 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 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 billion 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 2018-19 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 Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Bonds.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in fiscal year 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 a new 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 will be 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 "*– Dissolution of Redevelopment Agencies*" below). 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.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal year 2011-12, as signed by the Governor on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("**AB1X 26**") and Assembly Bill No. 27 (First Extraordinary Session) ("**AB1X 27**"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. 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. Certain provisions of AB1X 26 are described further below.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "**Court**") challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 described below take into account the modifications made by the Court in *Matosantos*.

On February 1, 2012, and pursuant to *Matosantos*, 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, will be 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.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

The District did not receive pass-through payments in fiscal year 2017-18 and does not project to receive pass-through payments in fiscal year 2018-19.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" 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.

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 Section 42238 et seq. of the Education Code of the State, 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."

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 revenue limit funding 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 originally had an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. In fiscal year 2018-19, the LCFF was fully funded ahead of the eight year implementation schedule. 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 $7,459 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 $9,034 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.

- 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 local education agency'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 the new formula, 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 local control and accountability plan ("**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.

Attendance and Base Revenue Limit. The following table sets forth the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2011-12 and 2012-13 for grades K-8. The A.D.A. and enrollment numbers include special education and exclude enrollment at any independent charter schools.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Average Daily Attendance, Enrollment and Base Revenue Limit
Fiscal Years 2011-12 and 2012-13

Fiscal Year	Average Daily Attendance[1]	Enrollment[2]	Base Revenue Limit Per Unit of Average Daily Attendance
2011-12[3]	2,966	3,107	$6,247
2012-13[4]	2,986	3,136	6,449

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) Reflects enrollment as of October report submitted to the California Basic Educational Data System ("**CBEDS**") in each school year.
(3) The District had a 19.75% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit per unit of A.D.A. of $6,247.
(4) The District had a 22.27% base revenue limit deficit factor and a 3.24% cost of living adjustment in fiscal year 2012-13, which resulted in a funded base revenue limit per unit of A.D.A. of $6,449.
Source: The District.

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. The A.D.A. and enrollment numbers reflected in the following table include special education and exclude enrollment at any independent charter schools.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Average Daily Attendance, Base Grant and Enrollment
Fiscal Years 2013-14 through 2018-19

		A.D.A./Base Grant				Enrollment[9]	
Fiscal Year		K-3	4-6	7-8	Total A.D.A.[2]	Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A.[2]	1,403.39	1,009.87	647.75	3,061.01	3,207	76.24%
	Targeted Base Grant[3]	$9,756,367	$7,125,642	$4,706,551	-	-	-
2014-15	A.D.A.[2]	1,426.53	1,016.70	730.2	3,173.43	3,320	78.86%
	Targeted Base Grant[3] [4]	$10,001,401	$7,234,837	$5,350,905	-	-	-
2015-16	A.D.A.[2]	1,475.13	1,069.70	776.25	3,321.08	3,456	78.65%
	Targeted Base Grant[3] [5]	$10,448,345	$7,690,073	$5,746,578	-	-	-
2016-17	A.D.A.[2]	1,474.20	1,126.96	777.61	3,378.77	3,534	73.80%
	Targeted Base Grant[3][6]	$10,441,758	$8,101,715	$5,756,646	-	-	-
2017-18	A.D.A.[2]	1,464.95	1,134.86	830.67	3,430.48	3,584	79.05%
	Targeted Base Grant[3][7]	$10,537,385	$8,285,612	$6,244,977	-	-	-
2018-19[1]	A.D.A.[2]	1,458.63	1,146.01	873.10	3,477.74	3,662	77.09%
	Targeted Base Grant[3][8]	$10,879,921	$8,676.441	$6,806,687	-	-	-

(1) Figures are projections.
(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 do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in any of the fiscal years listed above.
(4) Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost of living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Targeted fiscal year 2016-17 Base Grant amounts reflect 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.
(9) Reflects enrollment as of October report submitted to the CBEDS in each 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, the percentage of unduplicated EL/LI Students was and will be 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: The District.

The District received approximately $32.0 million in aggregate revenues reported under LCFF sources in fiscal year 2017-18, and projects to receive approximately $34.4 million in aggregate revenues under the LCFF in fiscal year 2018-19 (or approximately 85.2% of its general fund revenues in fiscal year 2018-19). Such amount includes combined supplemental and concentration grants budgeted to be approximately $7.1 million in fiscal year 2018-19.

Local Sources of Education Funding

General. 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 et seq. and Sections 95 et seq. of the State Revenue and Taxation Code. Section 42238(h) of the State Education Code 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 State Constitution. Such districts were known as "basic aid districts." School districts that received some State 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 "− Allocation of State Funding to School Districts; Local Control Funding Formula" above for more information about the LCFF. Local property tax revenues accounted for approximately 22.0% of the District's aggregate revenues reported under LCFF sources in fiscal year 2017-18, and are projected to be $6.9 million, or 19.7% of its total general fund revenues in fiscal year 2018-19.

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."

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, 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, other than the $120 per student in basic aid, as described above. 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. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the District to make adjustments in fixed operating costs.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's adopted budget and projected A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2018-19 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

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 3.6% (or approximately $1.5 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 which comprise approximately 7.0% (or approximately $2.8 million) of the District's general fund projected revenues for fiscal year 2018-19. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, 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 $567,680 for fiscal year 2018-19.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprise approximately 4.2% (or approximately $1.7 million) of the District's general fund projected revenues for fiscal year 2018-19.

Significant Accounting Policies and Audited Financial Reports

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the Education Code. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Moss, Levy & Hartzheim LLP, Santa Marina, California has served as independent auditor to the District and excerpts of its report for the fiscal year ended June 30, 2018 are attached hereto as Appendix B. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of excerpts from the audit herein that there has been no material change in the financial condition of the District since the audit was concluded. The District is required by law to file its audit report for each fiscal year with the County Superintendent and State officials by December 15 and to review the report and any recommended changes following a public meeting to be conducted no later than January 31.

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

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Fiscal Years 2013-14 through 2017-18
General Fund Revenues, Expenditures and Fund Balances[1]

	2013-14 Actuals[2]	2014-15 Actuals[2]	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals
REVENUE					
LCFF Sources	$19,592,112	$23,054,814	$28,354,573	$30,819,436	$32,034,665
Federal Revenue	1,319,821	1,365,553	1,363,882	1,216,153	1,243,404
Other State Sources	1,774,939	1,130,370	3,596,525	2,850,514	3,116,738
Other Local Sources	1,966,262	2,087,133	1,971,113	1,856,660	1,979,202
Total Revenue:	$24,653,134	$27,637,870	$35,286,093	$36,742,763	$38,374,009
EXPENDITURES					
Certificated Salaries	$10,162,263	$11,526,874	$13,189,624	$14,533,061	$15,454,745
Classified Salaries	2,499,824	2,813,773	3,364,839	3,851,647	4,011,750
Employee Benefits	5,208,327	5,613,950	6,567,941	7,516,841	8,173,147
Books and Supplies	668,617	1,181,398	2,260,470	1,357,356	1,452,320
Services/Other Operating Expenditures	2,591,507	2,239,870	3,059,596	3,385,306	3,027,340
Other Outgo	2,329,837	3,356,324	2,863,941	2,797,546	2,000,669
Direct Support/Indirect Costs	-	-	-	(87,710)	(58,425)
Capital Outlay	239,097	664,434	2,105,357	1,702,201	711,897
Debt Service – Principal	-	825,077	-	-	-
Debt Service – Interest	-	1,282,368	102,670	-	-
Total Expenditures:	$23,699,472	$29,504,068	$33,514,438	$35,056,248	$34,773,443
Excess (Deficiency) of Revenues Over Expenditures	$953,662	$(1,866,198)	$1,771,655	$1,686,515	$3,600,566
OTHER FINANCING SOURCES (USES)					
Other Sources	-	$825,077	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	$(598,896)	$(4,235,306)	$(5,000)
Net Financing Sources (Uses):	-	$825,077	$(598,896)	$(4,235,306)	$(5,000)
NET CHANGE IN FUND BALANCE	$953,662	$(1,041,121)	$1,172,759	$(2,548,791)	$3,595,566
Fund Balance – Beginning	$9,095,195	$10,048,856	$9,007,735	$10,180,494	$7,631,703
Fund Balance – End	$10,048,857	$9,007,735	$10,180,494	$7,631,703	$11,227,269

(1) Totals may not add up due to rounding.
(2) On behalf payments are not included in revenues and expenditures for fiscal years 2013-14 and 2014-15. In addition, due to the consolidation of Fund 17, Special Reserve Non-Capital Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to the other fund are included in the actual revenues and expenditures.
Sources: Santa Rita Union School District Annual Financial Report for fiscal years ending June 30, 2014, 2015 2016, 2017 and 2018.

The following table sets forth the budgeted revenues, expenditures and changes in fund balances for the District's general fund for the fiscal year 2018-19. Certain adjustments may be made throughout the year based on actual State funding and actual District revenues and tax collections. The District cannot make any predictions regarding the disposition of additional pending budget legislation or its effect on the District. The District's budget is a planning tool, and does not represent a prediction as to the actual achievement of any budgeted revenues or fund balances.

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Budgeted General Fund Summary for Fiscal Year 2018-19[(1)]

	2018-19 Budgeted[(2)]
REVENUES	
LCFF	$34,436,132
Federal Revenue	1,453,348
Other State Revenue	2,811,655
Other Local Revenue	1,700,527
TOTAL	**$40,401,662**
EXPENDITURES	
Certificated Salaries	$15,809,940
Classified Salaries	4,462,320
Employee Benefits	9,062,980
Books and Supplies	2,181,140
Services/Other Operating Expenditures	4,690,446
Capital Outlay	571,358
Other Outgo (excluding Transfers of Indirect Costs)	1,956,589
Other Outgo - Transfers of Indirect Costs	-
TOTAL	**$38,734,773**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$1,666,889
OTHER FINANCING SOURCES (USES)	
Transfers In	-
Transfers Out	$(2,601,752)
Other Sources/Uses	(102,670)
TOTAL OTHER FINANCING SOURCES (USES)	**$(2,704,422)**
NET CHANGE IN FUND BALANCE	$(1,037,533)
Fund Balance – Beginning	**$11,227,274**
Fund Balance – Ending	**$10,189,741**

(1) Second interim budget of the District, approved as of March 13, 2019.
(2) Totals may not add due to rounding.
Source: The District.

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 Monterey County 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 written 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 on or 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 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 Superintendent of Public Instruction 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 school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the Superintendent of Public Instruction and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the Superintendent of Public Instruction and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the Superintendent of Public Instruction and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. 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 and the State Education Code (Section 42100 et. seq.), 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, based on then current projections, 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, based on then current projections, will be 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, based on then current projections, will 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.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. 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* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the Superintendent of Public Instruction and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State General Fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State General Fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State General Fund that must be repaid in 20 years. Each year, the Superintendent of Public Instruction will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State General Fund will be based upon the availability of funds within the State General Fund.

District Debt Structure

General Obligation Bonds. The District currently has three series of bonds outstanding, including each series of the Refunded Bonds (as further described under "THE BONDS – Plan of Refunding"), each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District.

On November 7, 1995, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed $10,000,000 to finance specific construction and modernization projects (the "**1995 Authorization**"). On April 3, 1996, the Santa Rita Union School District 1995 General Obligation Bonds, Series A (Bank Qualified) (the "**Series 1995A Bonds**"), in an aggregate principal amount of $3,500,000 were issued as the first series of bonds under the 1995 Authorization. On June 18, 1998, the Santa Rita Union School District 1995 General Obligation Bonds, Series B (Bank Qualified) (the "**Series 1995B Bonds**"), in an aggregate principal amount of $3,500,000 were issued as the second and final series of bonds under the 1995 Authorization. On April 29, 2004, the District issued its 2004 General Obligation Refunding Bonds (the "**2004 Refunding Bonds**"), in an aggregate principal amount of $3,835,000 to refund the outstanding Series 1995A Bonds.

On November 7, 2006, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed $14,600,000 to finance specific construction and modernization projects (the "**2006 Authorization**"). On October 25, 2007, the Santa Rita Union School District Election of 2006 General Obligation Bonds, Series A (the "**Series 2006A Bonds**"), in an aggregate principal amount of $11,498,838.30 were issued as the first series of bonds under the 2006 Authorization. On July 24, 2008, the Santa Rita Union School District Election of 2006 General Obligation Bonds, Series B (Bank Qualified) (the "**Series 2006B Bonds**"), in an aggregate principal amount of $3,100,684.70 were issued as the second and final series of bonds under the 2006 Authorization.

On March 15, 2017, the Santa Rita Union School District 2017 General Obligation Refunding Bonds (the "**2017 Refunding Bonds**"), in an aggregate principal amount of $7,545,000, were issued by the District to refund the Series 1995B Bonds and the 2004 Refunding Bonds.

The following table shows bonds issued and outstanding as of April 1, 2019:

Series Name	Issue Date	Principal Amount	Outstanding Principal Amount
Series 2006A[(1)]	October 25, 2007	$11,498,838.30	$10,235,000.00
Series 2006B[(2)]	July 24, 2008	3,100,684.70	3,066,976.70
2017 Refunding Bonds	March 15, 2017	7,545,000.00	6,940,000.00
Total:		$22,144,523.00	$20,241,976.70

[(1)] Expected to be refunded in full with proceeds of the Bonds.
[(2)] Expected to be refunded in part with proceeds of the Bonds.

See "DEBT SERVICE SCHEDULES – Combined Annual Debt Service" in the front portion of this Official Statement for the annual debt service requirements for the District's outstanding bonds.

Tax and Revenue Anticipation Notes (TRANs). The District has not issued and does not expect to issue any TRANs in fiscal year 2018-19. The District may issue tax and revenue anticipation notes in future fiscal years as and when necessary to supplement cash flow.

Employment

The District has budgeted for approximately 315.7 FTE employees, including 185.0 FTE certificated (teaching) employees, 103.7 FTE classified (non-teaching) employees and 27.0 management, supervisor and confidential employees for fiscal year 2018-19. For fiscal year 2017-18, the total certificated and classified payrolls for the general fund were approximately $15.5 million and $4.0 million, respectively. For fiscal year 2018-19, the total certificated and classified payrolls for the general fund are projected to be approximately $15.8 million and $4.5 million, respectively.

The District works with the following bargaining groups as follows:

Employee Group	Organization/Bargaining Unit	Contract Expiration
Certificated	Santa Rita School District Teachers Association	June 30, 2020[(1)]
Classified	California Service Employees Association	June 30, 2019

[(1)] Settled, pending formal adoption in June 2019.
Source: The District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and the State Public Employees' Retirement System ("**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, teachers contributed 8.0% 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). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2.0% 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 8.0% 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. The State's total contribution also increased from approximately 3.0% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. 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 7.0% 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 3.0% 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 billion 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 63.9%, 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 used for the CalSTRS valuation. 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," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected 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 "*– California Public Employees' Pension Reform Act of 2013*" 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.

As indicated above, there was no required contribution from teachers, school districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The actuarial valuation as of June 30, 2016 stated that the aggregate contribution rate as of June 30, 2017, inclusive of an equivalent rate contribution of 10.219% from members, 8.000% from employers relating to the base rate, 0.250% from employers based on the sick leave rate, 10.096% from employers based on the supplemental rate, 1.881% from the State based on the base rate and 4.021% from the State based on the supplemental rate is equivalent to 34.467%.

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
2018	16.28%
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The following table sets forth the District's total employer contributions to CalSTRS for fiscal years 2012-13 through 2017-18, and the budgeted contribution for fiscal year 2018-19:

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Contributions to CalSTRS for Fiscal Years 2012-13 through 2018-19

Fiscal Year	Contribution
2012-13	$381,686
2013-14	819,009
2014-15	978,312
2015-16	2,083,335
2016-17	2,755,250
2017-18	3,293,602
2018-19(1)	3,746,143

(1) Projected.
Source: The District.

With the implementation of AB1469, 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. The District also participates in CalPERS for all full-time and some part-time classified employees. All qualifying classified employees of K-12 school 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. 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 will not significantly increase in the future above current levels.

The districts are currently required to contribute to CalPERS 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 CalPERS 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 CalPERS board of administration (the "CalPERS Board") approved new actuarial policies aimed at returning CalPERS 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 CalPERS 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 CalPERS 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 CalPERS 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 CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS 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 CalPERS 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 CalPERS 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 CalPERS Board approved modifying the CalPERS 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 CalPERS 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 CalPERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the CalPERS 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 2012-13 through 2017-18, and the budgeted contribution for fiscal year 2018-19:

SANTA RITA UNION SCHOOL DISTRICT
(County of Monterey, California)
Contributions to CalPERS for Fiscal Years 2012-13 through 2018-19

Fiscal Year	Contribution
2012-13	$288,637
2013-14	414,428
2014-15	459,516
2015-16	493,281
2016-17	567,194
2017-18	630,470
2018-19(1)	654,043

(1) Projected.
Source: The District.

The District's total employer contributions to CalPERS for fiscal years 2012-13 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 "*– California Public Employees' Pension Reform Act of 2013*" 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.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "**Reform Act**" or "**PEPRA**") into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "**Implementation Date**"). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2.0% "age factor" (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2.0% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in social security.

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 (except as already announced). CalSTRS and CalPERS liabilities are more fully described in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018." The District is not permitted to pay down its portion of retirement liability for CalSTRS or CalPERS.

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 changed how governments calculated and reported the costs and obligations associated with pensions. Statement Number 67 replaced the 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 68 replaced the requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replaced the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes included: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be 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 would be required to be used for certain purposes of the financial statements, which generally would increase 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.

Other Post-Employment Benefits. In addition to the retirement plan benefits with CalSTRS and CalPERS (see "– Retirement Benefits" above), the District provides certain post-retirement healthcare benefits. The District administers a single-employer defined benefit healthcare plan (the "**Plan**"). The Plan provides medical coverage, as well as dental and vision plans to its participants on a self-paid basis. For a description of the Plan, see Note 10 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018." The District has implemented GASB Statement Number 74 ("Statement Number 74") as a replacement to GASB Statement Number 43 and GASB Statement Number 75 ("Statement Number 75") as a replacement to GASB Statement Number 45. Under Statement Number 75, net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service ("total OPEB liability"), less the amount of the OPEB plan's fiduciary net position. As of June 30, 2018, membership in the Plan consisted of 24 retirees and beneficiaries receiving benefits and 244 active plan members. As of the actuarial valuation on June 30, 2017, the District's total OPEB liability for the year ended June 30, 2018, was $2,516,819, and its net OPEB liability was $1,007,983. For the year ended June 30, 2018, the District recognized OPEB expense was $247,043 with deferred outflows of resources in the amount of $216,649.

Joint Ventures

The Santa Rita Union School District participates in three joint powers agreements ("JPAs"): the Monterey County Schools Workers' Compensation Group, the Monterey County Property/Liability and the Monterey County Schools Insurance Group. The relationship between Santa Rita Union School District and each JPA is such that each JPA is not a component unit of the Santa Rita Union School District for financial reporting purposes.

The Monterey County Schools Workers' Compensation Group arranges for and provides insurance coverage for workers' compensation claims. The Monterey County Property/Liability arranges for and provides property and liability insurance. The Monterey County Schools Insurance Group provides medical and health insurance coverage.

Each JPA is governed by a board consisting of a representative from each member district. The boards control the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA. For more information, 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."

Charter Schools

Charter schools operate as autonomous public schools, under charter from a school district, county office of education, or the State Board of Education, with minimal supervision by the local school district. Charter schools receive revenues from the State and from the District for each student enrolled, and thus reduce revenues available for students enrolled at District schools. The District is also required to accommodate charter school students originating in the District in facilities comparable to those provided for regular District students.

There are currently no charter schools operating within the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, State 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 State 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.

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

Article XIIIB of the State 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.

In fiscal year 2017-18, the District had an appropriations limit of $22,878,864 and appropriations subject to such limit of $22,878,864. The District has budgeted an appropriations limit in fiscal year 2018-19 of $23,746,518. 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 State 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 State 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 State 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 State 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 State 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 school 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 school districts and the K-14 school 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, State voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the State 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 school 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 school 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 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school 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.

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 from January 1, 2012 through the end of 2018, and (b) increased the sales and use tax by one-quarter percent for a period of four years from January 1, 2013 through the end of 2016. 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 voters on November 8, 2016, extends by twelve 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 tax increase 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 immediately 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 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the State 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 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 RITA UNION SCHOOL DISTRICT
OF MONTEREY COUNTY
SALINAS, CALIFORNIA

AUDIT REPORT
June 30, 2018

SANTA RITA UNION SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION SECTION

SANTA RITA UNION SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018

SUPPLEMENTARY INFORMATION SECTION (Continued)

FINDINGS AND RECOMMENDATIONS SECTION

FINANCIAL SECTION

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Santa Rita Union School District
Salinas, 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 Rita Union School District (District) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 *Governmental-Auditing Standards*, issued by the Comptroller General of the United States and the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations,* Section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

2400 Professional Parkway, Suite 205 Santa Maria, CA 93455 Tel 805.925.2579 Fax 805.925.2147 mlhcpas.com

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Emphasis of Matter

Changes in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 10, the budgetary information on page 51 through 53, the schedule of proportionate share of net pension liability on pages 54 and 55, and the schedule of pension contributions on pages 56 and 57, the schedule of net OPEB Liability on page 58, and the schedule of OPEB contributions on page 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Santa Rita Union School District's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Santa Rita Union School District. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administration Requirement for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements of the Santa Rita Union School District.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Santa Rita Union 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 14, 2018

RITA SANTA UNION SCHOOL DISTRICT EST. 1869

Santa Rita

Union School District

57 Russell Road, Salinas CA 93906 (831) 443-7200 Fax (831) 442-1729 www.santaritaschools.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Santa Rita Union School District (the District) using the integrated approach as prescribed by Governmental Accounting Standards Board (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. These statements include all assets of the District as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

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

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

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the Santa Rita Union School District.

REPORTING, THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets 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 position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of transitional 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 general obligation bonds, 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 and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All 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 and retiree trust funds. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $32.9 million for the fiscal year ended June 30, 2018, and $33.0 million for the fiscal year ended June 30, 2017; a decrease of $100,000. Of this amount, $2.6 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 operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

(Amounts in millions)	Governmental Activities		
	2018	2017	Difference
Assets			
Current and other assets	$ 14.7	$ 12.5	$ 2.2
Capital assets	62.8	64.1	(1.3)
Total Assets	77.5	76.6	0.9
Deferred Outflows of Resources	14.9	9.2	5.7
Liabilities			
Current liabilities	1.7	1.9	(0.2)
Long-term obligations	24.2	23.6	0.6
Net pension liability	30.9	24.8	6.1
Total Liabilities	56.8	50.3	6.5
Deferred Inflows of Resources	2.7	2.5	0.2
Net Position			
Net investment in capital assets	40.1	41.0	(0.9)
Restricted	2.6	1.9	0.7
Unrestricted	(9.8)	(9.9)	0.1
Total Net Position	**32.9**	**33.0**	**(0.1)**

The $32.9 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — decreased by $0.1 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

Table 2

(Amounts in millions)	Governmental Activities		
	2018	2017	Difference
Revenues			
Program revenues:			
Charges for services	$ 0.5	$ 0.1	$0.4
Operating grants and contributions	7.6	5.8	1.8
Capital grants and contributions	0.4	0.0	0.4
General revenues:			
Federal and State aid not restricted	26.1	25.5	0.6
Property taxes	8.5	8.1	0.4
Other general revenues	0.5	0.7	(0.2)
Total Revenues	43.6	40.2	3.4
Expenses			
Instruction related	25.7	23.6	2.1
Student support services	4.6	3.5	1.1
Administration	2.4	2.4	0.0
Plant services	3.7	3.1	0.6
Other	5.7	7.0	(1.3)
Total Expenses	42.1	39.6	2.5
Change in Net Position	**$ 1.5**	**$0.6**	**$0.9**

Governmental Activities

As reported in the *Statement of Activities,* the cost of all of our governmental activities this year was $42.1 million as compared to $39.6 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $33.6 million because the cost was paid by those who benefited from the programs ($0.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($7.6 million). We paid for the remaining "public benefit" portion of our governmental activities with $26.1 million in Federal and State funds and with $0.9 million in other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions: instruction-related student support services, administration, and plant services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Dollar amounts in millions)	Net Cost of Services	
	2018	2017
Instruction related	$21.7	$20.7
Student support services	1.8	1.5
Administration	2.2	2.0
Plant services	2.8	3.1
Other	5.2	6.4
Total	**$ 33.7**	**$33.7**

THE DISTRICT'S FUNDS

As the district completed this year, our governmental funds reported a combined fund balance of $13.3 million, which is an increase of $3.2 million from the prior year.

Table 4

(Amounts in millions)	Fund Balance		
	June 30, 2018	June 30, 2017	Variance
Major Governmental Funds			
General Fund	$ 11.2	$ 7.6	$ 3.6
Cafeteria Fund	0.2	0.2	-
Child Development Fund	-	-	-
Non-Major Governmental Funds	1.9	2.3	(0.4)
Total	**$ 13.3**	**$10.1**	**$3.2**

The increase in General Fund of $3.6 million was due primarily to changes in the requisition protocols. In prior years there was a practice of department heads and site administrators requesting funds directly from the board for expenditures. However, these expenditures were not budgeted for and resulted in deficit spending reaching over 2 million in depletion of the General Fund Reserves. With the elimination of this practice the District's major governmental funds showed an overall increase of 3.6 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2018. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $62.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment compared to capital assets at June 30, 2017 of $64.1 million. This amount represents a net decrease (including additions, deductions and depreciation) of $1.2 million from last year.

Table 5

(Amounts in millions)	Governmental Activities		
	2018	2017	Difference
Non-depreciable (Land & CIP)	$17.9	$17.9	$(0.0)
Buildings and improvements	$44.1	45.5	(1.4)
Equipment	0.8	0.7	0.1
Total	**$62.8**	**$64.1**	**(1.3)**

We present more detailed information regarding our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had $22.8 million in long-term obligations outstanding, $0.4 million less than last year. Those obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities		
	2018	2017	Difference
General obligation bonds	22.7	23.1	(0.4)
Compensated absences	0.1	0.1	(0.0)
Total	**22.8**	**23.2**	**(0.4)**

The District's general obligation bond S&P rating at the time of their last issuance was "AA+". We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

The District maintained class sizes through additional classroom teachers as provided for in the LCAP. The result was that the four elementary schools continued to average below 24 to 1 in transitional kindergarten through 3rd grade during the 2017-2018 school year.

School Site	Average Class Size 2016-2017	Average Class Size 2017-2018
Santa Rita	22 to 1	22 to 1
La Joya	22 to 1	23 to 1
McKinnon	22 to 1	19 to 1
New Republic	22 to 1	23 to 1

FOR THE FUTURE

In 2017-18, through the LCAP, we budgeted for an additional FTE to provide a full-time counselor at each middle school. We also funded two new FTE Assistant Principals for each middle school. For the 2019-20 year we are in the planning stages for implementing a MTSS or Multi-Tiered Systems of Support approach to student behavioral needs. In order to address the socio-emotional support for our students not on IEPs, we are in negotiations with Monterey County Mental Health to provide a psycho-therapist for those students. This will be in concert with existing behavior technicians, two additional FTE counselors and two community liaisons. This will enable us to develop behavior support teams at each of the four elementary sites to further support families dealing with foundational causes for student behavior not conducive to learning.

General Fund Budgetary Highlights

Through adjustments to spending protocols as well as the continuation of simplifying the coding structure, we were able to better manage our funds. This led to a 3.6 million dollar surplus at the close of 2017-18 fiscal year. That enabled us to establish and designate 2.4 million dollars into Fund 14 to begin addressing seriously neglected maintenance issues.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the governing board adopted the following assumptions:

1. Negotiations for both bargaining units were unsettled at the time the budget was adopted and it was agreed upon that any future increases for salary or benefits would not negatively affect reserves in following years.

2. Premiums for healthcare benefits are budgeted to reflect the agreed-upon language included in the bargaining unit agreement.

3. All other mandated, salary-driven benefit rates including State Teachers Retirement System (STRS), Public Employees Retirement System (PERS), and Social Security, Medicare, Unemployment Insurance, and Workers' Compensation will be budgeted at the known percentage rate. The State Teachers Retirement System employee and employer contribution rate is projected to increase. STRS is projected to increase from 14.43 percent to 16.28 percent, an increase of 1.85 percent. The Public Employee Retirement System has also indicated that the employee contribution rate will be increased from 15.53 percent to 18.06 percent, an increase of 2.53 percent.

CALIFORNIA'S ECONOMY IMPACTS THE BUDGET

The State's economy and associated tax revenues drive funding for public education in California. With the passing of Proposition 30 on November 6, 2012, the gap in funding for schools in California has been slightly reduced. However, the adjustment to Proposition 30 in last November's election via Prop 55 that dropped the sales tax but extended the income tax increase on those earning more than $250,000 has lowered EPA funding significantly this year and in projections for outlying years in current MYP. The national and the state economies are sending mixed messages. The Dow Jones Industrial Average has had a year marked by volatility. The yield curve on the bond market is flattening out, indicating a lowered confidence in the market. However, job growth in the fourth quarter of this year indicates that the economy is still growing. Caution must be observed moving forward.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Santa Rita Union School District, 57 Russell Road, Salinas, California, 93906.

SANTA RITA UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

		Governmental Activities
Assets		
Cash in county treasury	$	13,516,728
Cash on hand and in banks		474,694
Revolving cash fund		2,000
Accounts receivable		571,244
Inventories, at cost		50,126
Land		17,873,490
Buildings and improvements		78,393,943
Equipment		2,142,382
Less accumulated depreciation		(35,572,076)
Total assets		77,452,531
Deferred Outflows of Resources		
Deferred loss on refunding		67,745
Pensions		14,632,098
OPEB		216,649
Total deferred outflows of resources		14,916,492
Liabilities		
Accounts payable		1,253,582
Interest payable		337,276
Unearned revenue		65,336
Long-term liabilities:		
Due within one year:		
Bond payable		597,006
Bond premium		26,244
Total due within one year		2,279,444
Due after one year:		
Bonds payable		22,149,393
Bond premium		398,030
Compensated absences payable		78,900
Net pension liability		30,906,473
Net OPEB liability		1,007,983
Total due after one year		54,540,779
Total liabilities		56,820,223
Deferred Inflows of Resources		
Pensions		2,663,616
Total deferred inflows or resources		2,663,616
Net Position		
Net investment in capital assets		40,091,340
Restricted for:		
Debt service		761,951
Educational programs		1,193,009
Capital projects		507,671
Nutrition		180,721
Unrestricted		(9,849,508)
Total net position	$	32,885,184

The accompanying notes are an integral part of this statement.

SANTA RITA UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 21,723,108	$ -	$ 3,710,687	$ -
Instruction-related services:				
Instructional supervision and administration	464,012		58,173	
Instructional library, media, and technology	963,757			
School site administration	2,530,836	626	181,183	
Pupil services:				
Home-to-school transportation	588,316		63,922	426,850
Food services	1,865,791	64,184	1,766,707	
All other pupil services	2,169,285		526,253	
General administration:				
Data processing	131,656			
All other general administration	2,284,704		273,738	
Plant services	3,729,278	404,649	523,482	
Ancillary services	45,933		1,739	
Interest on long-term debt	946,581			
Other outgo	2,103,339		510,361	
Depreciation (unallocated)	2,618,956			
Total governmental activities	$ 42,165,552	$ 469,459	$ 7,616,245	$ 426,850

General revenues:

Taxes and subventions:

Taxes levied for general purposes

Taxes levied for debt service

Federal and state aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of fiscal year

Restatement

Net position, beginning of fiscal year, restated

Net position, end of fiscal year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position
$ (18,012,421)
(405,839)
(963,757)
(2,349,027)
(97,544)
(34,900)
(1,643,032)
(131,656)
(2,010,966)
(2,801,147)
(44,194)
(946,581)
(1,592,978)
(2,618,956)
(33,652,998)
7,054,921
1,403,515
26,130,299
150,550
368,160
35,107,445
1,454,447
32,987,073
(1,556,336)
31,430,737
$ 32,885,184

SANTA RITA UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 11,649,138	$ 123,051
Cash on Hand and in Banks	14,935	-
Cash in Revolving Fund	2,000	-
Accounts Receivable	486,003	46,447
Due from Other Funds	143,129	-
Stores Inventories	-	-
Total Assets	$ 12,295,205	$ 169,498
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	$ 1,018,643	$ 5,326
Due to Other Funds	5,000	143,129
Unearned Revenue	44,293	21,043
Total Liabilities	1,067,936	169,498
Fund Balances:		
Nonspendable	2,000	-
Restricted	1,193,009	-
Assigned	8,999,641	-
Unassigned	1,032,619	-
Total Fund Balances	11,227,269	-
Total Liabilities and Fund Balances	$ 12,295,205	$ 169,498

The accompanying notes are an integral part of this statement.

Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
$ (190,463)	$ 1,935,002	$ 13,516,728
459,759	-	474,694
-	-	2,000
38,794	-	571,244
5,000	-	148,129
50,126	-	50,126
$ 363,216	$ 1,935,002	$ 14,762,921
$ 182,495	$ 47,118	$ 1,253,582
-	-	148,129
-	-	65,336
182,495	47,118	1,467,047
50,126	-	52,126
130,595	1,606,898	2,930,502
-	280,986	9,280,627
-	-	1,032,619
180,721	1,887,884	13,295,874
$ 363,216	$ 1,935,002	$ 14,762,921

SANTA RITA UNION SCHOOL DISTRICT

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

Total fund balances - governmental funds			$ 13,295,874
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost	$ 98,409,815	
	Accumulated depreciation	(35,572,076)	
	Net		62,837,739
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	Bonds payable	$ 22,746,399	
	Unamortized bond premium	424,274	
	Compensated absences payable	78,900	
	Net pension liability	30,906,473	
	Net OPEB liability	1,007,983	
			(55,164,029)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred.			(337,276)
Deferred outflows and inflows of resources relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.			
	Deferred inflows of resources relating to pensions	$ (2,663,616)	
	Deferred outflows of resources relating to pensions	14,632,098	
	Deferred outflows of resources relating to OPEB	216,649	
			12,185,131
In governmental funds, loss on refunding is recognized as expenditures in the period they are incurred. In the government-wide statements, loss on refunding, is amortized over the life of the debt.			67,745
Total net position - governmental activities			$ 32,885,184

The accompanying notes are an integral part of this statement.

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SANTA RITA UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Child Development Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 20,472,570	$ -
Education Protection Account Funds	4,507,177	-
Local Sources	7,054,918	-
Federal Revenue	1,243,404	-
Other State Revenue	3,116,738	1,111,848
Other Local Revenue	1,979,202	-
Total Revenues	38,374,009	1,111,848
Expenditures:		
Current:		
Instruction	20,318,912	871,255
Instruction - Related Services	3,776,396	94,888
Pupil Services	2,588,016	-
Ancillary Services	45,053	-
General Administration	2,276,239	58,425
Plant Services	3,056,261	87,280
Other Outgo	2,000,669	-
Capital Outlay	711,897	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	34,773,443	1,111,848
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,600,566	-
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(5,000)	-
Total Other Financing Sources (Uses)	(5,000)	-
Net Change in Fund Balances	3,595,566	-
Fund Balances, July 1	7,631,703	-
Fund Balances, June 30	$ 11,227,269	$ -

The accompanying notes are an integral part of this statement.

Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 20,472,570
-	-	4,507,177
-	-	7,054,918
1,670,796	-	2,914,200
142,570	10,034	4,381,190
75,298	1,808,594	3,863,094
1,888,664	1,818,628	43,193,149
-	-	21,190,167
-	-	3,871,284
1,846,777	-	4,434,793
-	-	45,053
-	-	2,334,664
59,615	504,769	3,707,925
-	-	2,000,669
-	336,087	1,047,984
-	561,659	561,659
-	786,402	786,402
1,906,392	2,188,917	39,980,600
(17,728)	(370,289)	3,212,549
5,000	-	5,000
-	-	(5,000)
5,000	-	-
(12,728)	(370,289)	3,212,549
193,449	2,258,173	10,083,325
$ 180,721	$ 1,887,884	$ 13,295,874

SANTA RITA UNION SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds	$ 3,212,549
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of $958,287 exceeds depreciation expense of ($2,618,956) in the period.	(1,660,669)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:	(27,180)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned was more than the amounts used by $8,418.	(8,418)
In governmental funds, OPEB costs are recognized when the employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contributions was:	(30,394)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of debt issue premium for the period is:	26,244
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(783,891)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	561,659
Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair value on the date of donation. The fair value of capital assets donated was:	426,850
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(390)
In governmental funds, loss on refunding is recognized as expenditures in the period they are incurred. In the government-wide financial statements, loss of funding costs is amortized over the life of the debt. Amortization for the period was $4,190.	(4,190)
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. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.	(257,723)
Change in net position - governmental activities	$ 1,454,447

The accompanying notes are an integral part of this statement.

SANTA RITA UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Retiree Benefit Fund	Agency Fund: Student Body Fund
ASSETS:		
Cash on Hand and in Banks	$ -	$ 52,142
Investments	1,695,610	-
Total Assets	1,695,610	$ 52,142
LIABILITIES:		
Due to Student Groups	-	$ 52,142
Total Liabilities	-	$ 52,142
NET POSITION:		
Held in Trust for Pension Benefit	1,695,610	
Total Net Position	$ 1,695,610	

The accompanying notes are an integral part of this statement.

SANTA RITA UNION SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Retiree Benefits Fund
Additions:		
Investment Income	$	88,100
Employer Contributions		102,670
Total Additions		190,770
Deductions:		
Administrative Expenses		3,996
Total Deductions		3,996
Change in Net Position		186,774
Net Position-Beginning of the Fiscal Year		1,508,836
Net Position-End of the Fiscal Year	$	1,695,610

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The reporting entity is the Santa Rita Union School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use 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 under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within one year after fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

Pensions:

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

Other Postemployment Benefits (OPEB)

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

Expenses/expenditures:

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds, as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Child Development Fund is used to account for resources committed to child development programs.

The Cafeteria Fund is used to account for revenues received and expenditures made to operated the District's cafeterias.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Govemmental Funds:

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains one nonmajor debt service fund:

The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.

Capital Projects Funds are set up by the District to account for special revenues that are to be used to build new facilities. The District maintains two nonmajor capital project funds.

1. The Capital Facilities Fund issued to account for resources received from developer impact fees assessed under the provisions of the California Environmental Quality Act (CEQA).
2. The Special Reserve Fund is used to account for the construction and other special capital projects financed with funds transferred from the General 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 composed of agency funds and trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities. The Retiree Benefits Trust Fund is used to account or resources set aside by the District for retiree benefit premium costs.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Luis Obispo County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by the Federal Depository Insurance Corporation or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Monterey County Treasury was not available.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first out) or market and consists of expendable supplies held for consumption.

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period purchased.

4. Bond Premiums and Loss on Refunding

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

5. Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed capital assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

5. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

6. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceed qualified expenditures.

7. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has three items which qualify for reporting in this category; refer to Note 8, Note 10, and Note 11 for a detailed listing of the deferred outflows of resources the District has recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

7. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualifies for reporting in this category; refer to Note 10 and Note 11 for a detailed list of the deferred inflows of revenues the District has recognized.

8. Compensated Absences

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

10. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

11. Property Taxes

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately on October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District.

J. Future Accounting Pronouncements

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

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

K. New Accounting Pronouncements

For the fiscal year ended June 30, 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Implementation of the GASB Statements No. 75 and the impact on the District's financial statements are explained in Note 10 - Postemployment Benefits Other than Pensions and Note 17- Restatements.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2018, consisted of the following:

Cash in banks	$	528,836
Cash and investments with the County Treasurer		13,516,728
Investments – OPEB trust pool		1,695,610
Total cash and investments	$	15,741,174

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in County Treasury, statement of Net position	$	13,516,728
Cash in revolving fund, statement of net position		2,000
Cash on hand and in banks, statement of net position		474,694
Cash on hand and in banks, statement of fiduciary net position		52,142
Investments, statement of fiduciary net position		1,695,610
Total cash and investments	$	15,741,174

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the Monterey County Investment Pool and the OPEB Trust Pool, however, these external pools are not measured under Level 1, 2 or 3.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Monterey County Treasury as part of the common investment pool ($13,516,728 as of June 30, 2018). The fair value of this pool as of that date, as provided by the plan sponsor, was $13,516,728. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks ($526,836 as of June 30, 2018) and in the revolving fund ($2,000) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Monterey. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing 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.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Monterey County Investment Pool	$ 13,516,728	$ 13,516,728	$ -	$ -	$ -
OPEB Trust Pool	1,695,610	1,695,610			
Total	$ 15,212,338	$ 15,212,338	$ -	$ -	$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	Aa	Not Rated
Monterey County Investment Pool	$13,516,728	N/A	$ -	$ -	$ -	$13,516,728
OPEB Trust Pool	1,695,610	N/A				1,695,610
Total	$15,212,338		$ -	$ -	$ -	$ 15,212,338

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, none of the District's deposits with financial institutions in excess of the Federal Depository Insurance Corporation limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Monterey County Investment Pool and the OPEB Trust).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in any individual fund is as follows:

Funds		Excess Expenditures
Major Funds:		
Child Development Fund:		
Certificated salaries	$	56,713
Employee benefits	$	54,335
Direct support/Indirect costs	$	58,425
Cafeteria Fund:		
Classified salaries	$	2,539
Services and other operating expenditures	$	120,550
Nonmajor Fund:		
Bond Interest and Redemption Fund		
Debt service	$	1,348,061

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consist of the following:

	General Fund	Child Development Fund	Cafeteria Fund	Other Governmental Funds
Federal Government:				
Categorical aid programs	$ 159,451	$ -	$ 31,438	$ -
State Government:				
Clean energy grant	76,532			
Categorical aid programs	53,839	46,388	2,345	
Lottery	144,206			
Local Sources:				
Interest	38,072	59		
Miscellaneous	13,903		5,011	
Totals	$ 486,003	$ 46,447	$ 38,794	$ -

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2018, are as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	$ 143,129	$ 5,000
Child Development Fund		143,129
Cafeteria Fund	5,000	
Totals	$ 148,129	$ 148,129

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2017-2018 fiscal year, are as follows:

Fund	Transfers In	Transfers Out
Major Funds:		
General Fund	$ -	$ 5,000
Cafeteria Fund	5,000	
Totals	$ 5,000	$ 5,000

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 17,873,490	$ -	$ -	$ 17,873,490
Construction in progress	16,502		16,502	
Total capital assets, not being depreciated	$ 17,889,992	$ -	$ 16,502	$ 17,873,490
Capital assets, being depreciated:				
Buildings and improvements	$ 77,203,011	$ 1,190,932	$ -	$ 78,393,943
Equipment	1,944,675	210,707	13,000	2,142,382
Total capital assets, being depreciated	79,147,686	1,401,639	13,000	80,536,325
Less accumulated depreciations				
Buildings and improvements	31,668,653	2,552,297		34,220,950
Equipment	1,297,077	66,659	12,610	1,351,126
Total accumulated depreciation	32,965,730	2,618,956	12,610	35,572,076
Total capital assets, being depreciated, net	$ 46,181,956	$ (1,217,317)	$ 390	$ 44,964,249
Net capital assets	$ 64,071,948	$ (1,217,317)	$ 16,892	$ 62,837,739

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	$ 2,618,956
Total Depreciation Expense	$ 2,618,956

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the Santa Rita Union School District at June 30, 2018, is:

Date of Issue	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued/ Accreted Interest	Redeemed	Bonds Outstanding June 30, 2018
Current Interest:							
October 2007	2033	4.0-4.54%	$ 11,180,000	$ 10,520,000	$ -	$ -	$ 10,520,000
July 2008	2034	4.6%	435,000	435,000			435,000
February 2017	2034	3.125-5%	7,545,000	7,545,000		300,000	7,245,000
Capital Appreciation:							
October 2007	2018	4.0-4.19%	318,838	240,567	14,433	255,000	
July 2008	2042	5.14-5.46%	2,665,685	4,309,768	243,290	6,659	4,546,399
			$ 22,144,523	$ 23,050,335	$ 257,723	$ 561,659	$ 22,746,399

NOTE 7 – BONDED DEBT (Continued)

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2018, are as follows:

Current Interest Bonds			
Fiscal Year Ended June 30	Principal	Interest	Total
2019	$ 590,000	$ 806,094	$ 1,396,094
2020	645,000	778,269	1,423,269
2021	705,000	747,994	1,452,994
2022	765,000	714,879	1,479,879
2023	835,000	678,427	1,513,427
2024-2028	5,410,000	2,712,297	8,122,297
2029-2033	7,995,000	1,201,379	9,196,379
2034-2035	1,255,000	33,169	1,288,169
	$ 18,200,000	$ 7,672,508	$25,872,508

Capital Appreciation Bonds			
Fiscal Year Ended June 30	Value at Maturity	Current Obligation	Interest to Accrete
2019	$ 7,006	$ 7,006	$ -
2020	12,285	11,675	610
2021	12,924	11,675	1,249
2022	10,878	9,340	1,538
2023	14,305	11,675	2,630
2024-2028	91,016	63,045	27,971
2029-2033	129,146	69,357	59,789
2034-2038	6,390,000	2,284,673	4,105,327
2039-2042	6,535,000	2,077,953	4,457,047
	$ 13,202,560	$ 4,546,399	$ 8,656,161

NOTE 8 – DEFERRED OUTFLOWS OF RESOURCES – DEBT REFUNDING

At June 30, 2018, deferred outflows of resources, relating to debt refunding, reported in the statement of net position, consisted of the following:

	Governmental Activities
Deferred loss on refunding	$ 67,745
	$ 67,745

NOTE 9 – DEFEASANCE DEBT

On February 16, 2017, the District issued $7,545,000 of 2017 general obligation refunding bonds to refund $7,765,000 of 1998 and 2004 general obligation bonds. The District placed $7,837,983 consisting of 2017 bond proceeds net of issuance costs in an escrow account to defease the 1998 and 2004 bonds. The District has an accounting loss on the bond refunding of $72,983 which is being amortized over the life of the 2017 bond issue. The District realized an economic gain on the refunding of $1,058,586. The balance of the 1998 and 2004 bonds outstanding at June 30, 2018, considered to be defeased is $7,530,000.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

Plan Description

The District provides post-retirement health benefits to all retirees with ten years of service who retire from the District and must have reached the minimum age of 55. Benefits continue for 4 years for Certificated and 3 years for Classified but not beyond the age of 65.

Employees Covered

As of June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active employees	244
Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to, but not receiving benefits	
Total	268

Contribution Information

The District does not have an actuarially determined contribution. Contributions to the OPEB plan are determined by the Board of Trustees and District's, management. For the fiscal year ended June 30, 2017, the District contributed $298,739.

Net OPEB Liability

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability (Continued)

Discount Rate	6.00%
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	6.00% net of investment expense
Mortality Rate	Certificated was derived from 2009 CalSTRS Mortality Classified was derived from 2014 CalPERS Active Mortality for Miscellaneous employees
Pre-Retirement Turnover (1)	Certificated was derived from 2009 CalSTRS Termination Rates Classified was derived from 2009 CalPERS Termination Rates for school employees
Healthcare Trend Rate	4%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	50%	7.25%
Fixed income	50%	5.25%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be on an ad hoc basis, but in an amount enough to fully fund the liability over a period not to exceed 30 years. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2017 (Valuation Date June 30, 2017)	$ 2,429,982	$ 1,370,303	$ 1,059,679
Changes recognized for the measurement period:			
Services cost	210,999		210,999
Interest	143,913		143,913
Changes of assumption			
Contributions - employer		298,739	(298,739)
Net investment income		109,672	(109,672)
Benefit payments	(268,075)	(268,075)	
Administrative expense		(1,803)	1,803
Net Changes	86,837	138,533	(51,696)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	$ 2,516,819	$ 1,508,836	$ 1,007,983

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

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

	1% Decrease 5.00%	Discount Rate 6.00%	1% Increase 7.00%
District's proportionate share of net pension plan liability	$ 1,145,341	$ 1,007,983	$ 876,499

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

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

	1% Decrease 5.00%	Current Healthcare Cost Trend Rates 4.00%	1% Decrease 5.00%
Net OPEB Liability	$ 889,490	$ 1,007,983	$ 1,117,978

OPEB Plan Fiduciary Net Position

The District is invested in Pubic Agency Retirement Services (PARS). PARS issues a publicly available financial report that may be obtained from Public Agency Retirement Services, 4350 Von Karman Ave., Newport Beach, CA 92660.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. Net difference between projected and actual earnings on OPEB plan investments are recognized over 5 years. All other amounts are recognized over the Expected average remaining lifetime (EARSL).

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $247,043. As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 216,649	$ -
Change in assumptions		
Net difference between projected and actual earnings on retirement plan investments		
	$ 216,649	$ -

According to the actuary, since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. Therefore, valuation-based deferred items will not begin until the next valuation.

The $216,649 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019.

NOTE 11 – PENSION PLANS

State Teachers' Retirement System (CalSTRS)

A. General Information about the Pension Plan

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

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

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

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

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon death of eligible members.

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

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

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

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

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contributions rates	10.25%	9.205%
Required employer contribution rates	14.43%	14.43%

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

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

For the fiscal year ended June 30, 2018, the contributions recognized as part of pension expense were as follows:

Contribution – employer	$ 1,774,921
Contribution – state	$ 1,165,167

NOTE 11– PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/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:

District's proportionate share of the net pension liability	$	24,219,347
State's proportionate share of the net pension liability associated with the District		13,597,831
Total	$	37,817,178

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .0262%, which increased by .0023% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $2,642,237. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 89,565	$ 422,497
Changes of assumptions	4,486,792	
Net difference between projected and actual earning on pension plan investments		644,843
Changes in proportion and differences between District contributions and proportionate share of contributions	5,152,208	1,517,544
District contributions subsequent to the measurement date	2,228,582	
Total	$ 11,957,147	$ 2,584,884

NOTE 11 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

$2,228,582 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2019	$ 904,976
2020	$ 1,847,088
2021	$ 1,499,761
2022	$ 787,511
2023	$ 943,784
2024	$ 1,160,561

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

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

NOTE 11 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

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

*10-year geometric average

Change of Assumptions

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

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

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

1% Decrease		6.10%
Net Pension Liability	$	35,561,689
Current Discount Rate		7.10%
Net Pension Liability	$	24,219,347
1% Increase		8.10%
Net Pension Liability	$	15,014,266

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

C. Payable to the Pension Plan

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

NOTE 11 – PENSION PLANS (Continued)

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

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

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

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

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

The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members.

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

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

Members' accumulated contributions are refundable with interest upon separation from CalPERS. The board determines the credited interest rate each fiscal year. For the year ended June 30, 2017, the rate of interest credited to members' accounts was 1 percent.

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

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

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 50	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17% to 2.5%	1.00% to 2.5%
Required employee contributions rates	7%	6.5%
Required employer contribution rates	15.531%	15.531%

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

NOTE 11 – PENSION PLANS (Continued)

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

A. General Information About the Pension Plan (Continued)

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

For the year ended June 30, 2018, the contribution recognized as part of pension expense was as follow:

Contribution – employer	$ 625,977

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

As of June 30, 2017, the District reported net pension liability for its proportionate shares of the net pension liability was $6,687,126.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .0280%, which increased by .0002% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $1,509,536. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 239,572	$ -
Changes of assumptions	976,759	78,732
Net difference between projected and actual earning on pension plan investments	231,330	
Changes in proportion and differences between District contributions and proportionate share of contributions	499,798	
District contributions subsequent to the measurement date	727,492	
	$ 2,674,951	$ 78,732

NOTE 11 – PENSION PLANS (Continued)

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

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

$727,492 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2019	$ 663,289
2020	$ 830,954
2021	$ 501,158
2022	$ (126,674)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Post-retirement Benefit Increases	Up to 2.00% until purchasing power protection Allowance flows purchasing power applies, 2.75% thereafter

Change of Assumptions

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

Discount Rate

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed February 2022. Any changes to the discount rate will require Board action and proper stockholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

NOTE 11 – PENSION PLANS (Continued)

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

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

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

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

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

Asset Class	New Strategic Allocation	Expected Real Rate of Return Years 1 - 10 (a)	Expected Real Rate of Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.30%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

(a) An expected inflation of 2.5% was used for this period
(b) An expected inflation of 3.0% was used for this period

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Post-retirement Benefit Increases	Up to 2.00% until purchasing power protection Allowance flows purchasing power applies, 2.75% thereafter

NOTE 11 – PENSION PLANS (Continued)

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

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

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

C. Payable to the Pension Plan

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

NOTE 12 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Additions	Deletions	Restatement	Balance June 30, 2018	Due within one year
Bonds payable	$ 23,050,335	$ 257,723	$ 561,659	$ -	$ 22,746,399	$ 597,006
Bond premium	450,518		26,244		424,274	26,244
Compensated absences	70,482	151,133	142,715		78,900	
Net pension liability	24,794,046	15,847,070	9,734,643		30,906,473	
Net OPEB liability	(795,396)	247,043	298,739	1,855,075	1,007,983	
Totals	$ 47,569,985	$ 16,502,969	$ 10,764,000	$ 1,855,075	$ 55,164,029	$ 623,250

NOTE 13 – NET POSITION

The government-wide and fiduciary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

NOTE 14 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Child Development Fund	Cafeteria Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	$ 2,000	$ -	$ -	$ -	$ 2,000
Stores inventory			50,126		50,126
Restricted					
Medi-Cal billing option	40,856				40,856
California Clean Energy Jobs Act	447,310				447,310
Lottery instructional materials	372,902				372,902
Special education	61,279				61,279
RMA	252,485				252,485
Other local	18,177				18,177
Child nutrition			130,595		130,595
Capital projects				507,671	507,671
Debt service				1,099,227	1,099,227
Assigned					
Pension liabilities	3,108,183				3,108,183
OPEB	1,213,323				1,213,323
Compensated absences	110,366				110,366
Additional 7% per board	2,426,952				2,426,952
Future employer contributions/projects	976,469				976,469
Lottery unrestricted	711,660				711,660
Certificated teacher salaries	452,688				452,688
Capital projects				280,986	280,986
Unassigned	1,032,619				1,032,619
Total	$11,227,269	$ -	$ 180,721	$ 1,887,884	$13,295,874

NOTE 15 - JOINT VENTURES

The Santa Rita Union School District participates in three joint powers agreements (JPAs): the Monterey County Schools Workers' Compensation Group, the Monterey County Property/Liability and the Monterey County Schools Insurance Group. The relationship between Santa Rita Union School District and each JPA is such that each JPA is not a component unit of the Santa Rita Union School District for financial reporting purposes.

The Monterey County Schools Workers' Compensation Group arranges for and provides insurance coverage for workers' compensation claims. The Monterey County Property/Liability arranges for and provides property and liability insurance. The Monterey County Schools Insurance Group provides medical and health insurance coverage.

Each JPA is governed by a board consisting of a representative from each member district. The Boards control the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received State and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District's staff attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 17 – RESTATEMENTS

Due to the implementation of GASB Statement No. 75, the District's deferred outflows relating to Net OPEB Liability of $298,739 and Net OPEB Liability of $(1,855,075) at June 30, 2017 are now reported as part of the net position in the governmental activities of the government-wide statement of net position.

		Governmental Activities
Ending Net Position per prior fiscal year audit	$	32,987,073
Restatement, per GASB Statements No. 75		(1,556,336)
Net Position, restated July 1, 2017	$	31,430,737

REQUIRED SUPPLEMENTARY INFORMATION

SANTA RITA UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 22,075,917	$ 21,442,764	$ 20,472,570	$ (970,194)
Education Protection Account Funds	3,998,799	4,177,225	4,507,177	329,952
Local Sources	5,840,253	6,608,523	7,054,918	446,395
Federal Revenue	1,086,265	1,377,831	1,243,404	(134,427)
Other State Revenue	2,015,505	2,739,985	3,116,738	376,753
Other Local Revenue	1,484,224	1,814,691	1,979,202	164,511
Total Revenues	36,500,963	38,161,019	38,374,009	212,990
Expenditures:				
Current:				
Certificated Salaries	15,500,609	15,409,118	15,454,745	(45,627)
Classified Salaries	4,096,719	3,979,955	4,011,750	(31,795)
Employee Benefits	8,203,688	8,324,299	8,173,147	151,152
Books And Supplies	1,424,958	2,304,878	1,452,320	852,558
Services And Other Operating Expenditures	3,390,985	4,511,103	3,027,340	1,483,763
Other Outgo	2,213,569	2,214,960	2,000,669	214,291
Direct Support/Indirect Costs	(79,659)	(79,659)	(58,425)	(21,234)
Capital Outlay	598,913	744,722	711,897	32,825
Total Expenditures	35,349,782	37,409,376	34,773,443	2,635,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,151,181	751,643	3,600,566	2,848,923
Other Financing Sources (Uses):				
Transfers Out	-	-	(5,000)	(5,000)
Total Other Financing Sources (Uses)	-	-	(5,000)	(5,000)
Net Change in Fund Balance	1,151,181	751,643	3,595,566	2,843,923
Fund Balance, July 1	7,631,703	7,631,703	7,631,703	-
Fund Balance, June 30	$ 8,782,884	$ 8,383,346	$ 11,227,269	$ 2,843,923

SANTA RITA UNION SCHOOL DISTRICT
CHILD DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other State Revenue	$ -	$ 1,097,520	$ 1,111,848	$ 14,328
Total Revenues	-	1,097,520	1,111,848	14,328
Expenditures:				
Current:				
Certificated Salaries	-	397,755	454,468	(56,713)
Classified Salaries	-	166,730	160,960	5,770
Employee Benefits	-	221,033	275,368	(54,335)
Books And Supplies	-	88,078	85,624	2,454
Services And Other Operating Expenditures	-	223,924	77,003	146,921
Direct Support/Indirect Costs	-	-	58,425	(58,425)
Total Expenditures	-	1,097,520	1,111,848	(14,328)
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	$ -	$ -	$ -	$ -

SANTA RITA UNION SCHOOL DISTRICT
CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Federal Revenue	$ 1,541,819	$ 1,606,002	$ 1,670,796	$ 64,794
Other State Revenue	187,988	123,805	142,570	18,765
Other Local Revenue	88,202	68,042	75,298	7,256
Total Revenues	1,818,009	1,797,849	1,888,664	90,815
Expenditures:				
Current:				
Classified Salaries	507,074	555,504	558,043	(2,539)
Employee Benefits	254,805	262,544	245,210	17,334
Books And Supplies	17,181	17,738	17,329	409
Services And Other Operating Expenditures	965,785	965,260	1,085,810	(120,550)
Total Expenditures	1,744,845	1,801,046	1,906,392	(105,346)
Excess (Deficiency) of Revenues Over (Under) Expenditures	73,164	(3,197)	(17,728)	(14,531)
Other Financing Sources (Uses):				
Transfers In	-	-	5,000	5,000
Total Other Financing Sources (Uses)	-	-	5,000	5,000
Net Change in Fund Balance	73,164	(3,197)	(12,728)	(9,531)
Fund Balance, July 1	193,449	193,449	193,449	-
Fund Balance, June 30	$ 266,613	$ 190,252	$ 180,721	$ (9,531)

SANTA RITA UNION SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2018

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

	2018	2017	2016	2015
Proportion of the net pension liability	.0280 %	.0278 %	.0249 %	.0234 %
Proportionate share of the net pension liability	$ 6,687,126	$ 5,487,221	$ 3,675,620	$ 2,655,580
Covered payroll	$ 4,507,323	$ 4,601,275	$ 4,203,305	$ 2,646,574
Proportionate share of the net pension liability as percentage of covered payroll	148.36 %	119.25 %	87.45 %	100.34 %
Plan's total pension liability	$ 84,871,025,628	$ 75,663,026,434	$ 71,651,164,353	$ 68,292,799,349
Plan's fiduciary net position	$ 60,998,386,333	$ 55,912,964,588	$ 56,911,065,643	$ 56,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	71.87 %	73.90 %	79.43 %	83.38 %

Note to Schedule:

Change in Assumptions
In 2018, the discount rate was lowered to 7.15%.

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SANTA RITA UNION SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2018

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

	2018	2017	2016	2015
Proportion of the net pension liability	.0262 %	.0239 %	.0266 %	.0213 %
Proportionate share of the net pension liability	$ 24,219,347	$ 19,306,825	$ 17,902,110	$ 12,469,296
Covered payroll	$ 14,109,070	$ 13,021,286	$ 11,017,027	$ 9,972,382
Proportionate share of the net pension liability as percentage of covered payroll	171.66 %	148.27 %	162.49 %	125.04 %
Plan's total pension liability	$ 302,770,146,000	$ 269,994,690,000	$ 259,146,248,000	$ 248,910,844,000
Plan's fiduciary net position	$ 210,289,899,995	$ 189,113,486,995	$ 191,822,335,995	$ 190,474,016,000
Plan fiduciary net position as a percentage of the total pension liability	69.46 %	70.04 %	74.02 %	76.52 %

Note to Schedule:

Change in Assumptions
In 2018, the discount rate was lowered to 7.10%, the growth rate was decreased to 3.50% and inflation was lowered to 2.75%

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SANTA RITA UNION SCHOOL DISTRICT

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

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

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 727,492	$ 625,977	$ 545,113	$ 495,149
Contribution in relation to the actuarially determined contributions	727,492	625,977	545,113	495,149
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 4,684,129	$ 4,507,323	$ 4,601,275	$ 4,203,305
Contributions as a percentage of covered payroll	15.531 %	13.888 %	11.847 %	11.780 %

Notes to Schedule

Valuation Date:	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll
Discount rate	7.50%
Amortization growth rate	3.75%
Price Inflation	3.25%
Salary increases	3.75% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females
Valuation Date:	6/30/2015
Discount rate	7.65%
Valuation Date:	6/30/2017
Discount rate	7.375%
Valuation Date:	6/30/2018
Discount rate	7.15%

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SANTA RITA UNION SCHOOL DISTRICT

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

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

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 2,228,582	$ 1,774,921	$ 1,397,184	$ 978,312
Contribution in relation to the actuarially determined contributions	2,228,582	1,774,921	1,397,184	978,312
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 15,444,089	$ 14,109,070	$ 13,021,286	$ 11,017,027
Contributions as a percentage of covered payroll	14.43 %	12.58 %	10.73 %	8.88 %

Notes to Schedule

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

*- Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SANTA RITA UNION SCHOOL DISTRICT

SCHEDULE OF NET OPEB LIABILITY
Last 10 Years*
As of June 30, 2018

Measurement Period		2018
Total OPEB Liability		
Service cost	$	210,999
Interest on the total OPEB liability		143,913
Actual and expected experience difference		
Changes in assumptions		
Changes in benefit terms		
Benefit payments		(268,075)
Net change in total OPEB Liability		86,837
Total OPEB liability- beginning		2,429,982
Total OPEB liability- ending (a)	$	2,516,819
Plan Fiduciary Net Position		
Contribution - employer	$	298,739
Net investment income		109,672
Benefit payments		(268,075)
Administrative expense		(1,803)
Net change in plan fiduciary net position		138,533
Plan fiduciary net position- beginning		1,370,303
Plan fiduciary net position- ending (b)	$	1,508,836
Net OPEB liability - ending (a)-(b)	$	1,007,983
Plan fiduciary net position as a percentage of the total OPEB liability		59.95%

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

SANTA RITA UNION SCHOOL DISTRICT

SCHEDULE OF OPEB CONTRIBUTIONS

Last 10 Years*

As of June 30, 2018

The District's contribution for the fiscal year ended was $216,649. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

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SUPPLEMENTARY INFORMATION SECTION

SANTA RITA UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash in County Treasury	$ 1,099,227	$ 835,775	$ 1,935,002
Total Assets	$ 1,099,227	$ 835,775	$ 1,935,002
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	$ -	$ 47,118	$ 47,118
Total Liabilities	-	47,118	47,118
Fund Balances:			
Restricted	1,099,227	507,671	1,606,898
Assigned	-	280,986	280,986
Total Fund Balances	1,099,227	788,657	1,887,884
Total Liabilities and Fund Balances	$ 1,099,227	$ 835,775	$ 1,935,002

SANTA RITA UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Debt Service Fund		
	Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Other State Revenue	$ 10,034	$ -	$ 10,034
Other Local Revenue	1,399,776	408,818	1,808,594
Total Revenues	1,409,810	408,818	1,818,628
Expenditures:			
Current:			
Plant Services	-	504,769	504,769
Capital Outlay	-	336,087	336,087
Debt Service:			
Principal	561,659	-	561,659
Interest	786,402	-	786,402
Total Expenditures	1,348,061	840,856	2,188,917
Net Change in Fund Balances	61,749	(432,038)	(370,289)
Fund Balances, July 1	1,037,478	1,220,695	2,258,173
Fund Balances, June 30	$ 1,099,227	$ 788,657	$ 1,887,884

SANTA RITA UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
ASSETS:			
Cash in County Treasury	$ 508,091	$ 327,684	$ 835,775
Total Assets	$ 508,091	$ 327,684	$ 835,775
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	$ 420	$ 46,698	$ 47,118
Total Liabilities	420	46,698	47,118
Fund Balances:			
Restricted	507,671	-	507,671
Assigned	-	280,986	280,986
Total Fund Balances	507,671	280,986	788,657
Total Liabilities and Fund Balances	$ 508,091	$ 327,684	$ 835,775

SANTA RITA UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Other Local Revenue	$ 407,077	$ 1,741	$ 408,818
Total Revenues	407,077	1,741	408,818
Expenditures:			
Current:			
Plant Services	97,085	407,684	504,769
Capital Outlay	-	336,087	336,087
Total Expenditures	97,085	743,771	840,856
Net Change in Fund Balances	309,992	(742,030)	(432,038)
Fund Balances, July 1	197,679	1,023,016	1,220,695
Fund Balances, June 30	$ 507,671	$ 280,986	$ 788,657

SANTA RITA UNION SCHOOL DISTRICT

BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ -	$ 10,034	$ 10,034
Other Local Revenue	-	1,399,776	1,399,776
Total Revenues	-	1,409,810	1,409,810
Expenditures:			
Debt Service:			
Principal	-	561,659	(561,659)
Interest	-	786,402	(786,402)
Total Expenditures	-	1,348,061	(1,348,061)
Net Change in Fund Balance	-	61,749	61,749
Fund Balance, July 1	1,037,478	1,037,478	-
Fund Balance, June 30	$ 1,037,478	$ 1,099,227	$ 61,749

SANTA RITA UNION SCHOOL DISTRICT
CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 406,000	$ 407,077	$ 1,077
Total Revenues	406,000	407,077	1,077
Expenditures:			
Current:			
Services And Other Operating Expenditures	100,000	97,085	2,915
Total Expenditures	100,000	97,085	2,915
Net Change in Fund Balance	306,000	309,992	3,992
Fund Balance, July 1	197,679	197,679	-
Fund Balance, June 30	$ 503,679	$ 507,671	$ 3,992

SANTA RITA UNION SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ -	$ 1,741	$ 1,741
Total Revenues	-	1,741	1,741
Expenditures:			
Current:			
Services And Other Operating Expenditures	629,409	407,684	221,725
Capital Outlay	393,608	336,087	57,521
Total Expenditures	1,023,017	743,771	279,246
Net Change in Fund Balance	(1,023,017)	(742,030)	280,987
Fund Balance, July 1	1,023,016	1,023,016	-
Fund Balance, June 30	$ (1)	$ 280,986	$ 280,987

SANTA RITA UNION SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2018

The Santa Rita Union School District was organized on July 1, 1948, and consists of an area comprising approximately 30 square miles. The District operates four elementary schools and two middle schools. There were no boundary changes during the year.

DISTRICT ADMINISTRATION

Dr. Shelly Morr
Superintendent

Timothy Ryan
Chief Business Officer

Melissa Alderman
Director of Curriculum

Cesar Torrio
Director Human Resources

Diane Miller
Director of Facilities

Nadene Dermody
Director of Student Services

SANTA RITA UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
Elementary:		
Kindergarten through third	1,457.73	1,464.18
Grades four through six	1,131.30	1,134.17
Grades seven and eight	823.48	824.07
ADA totals	3,412.51	3,422.42

There were no audit findings which resulted in necessary revisions to attendance.

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

SANTA RITA UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grade Level	Ed. Code 46207 Minutes Requirement	2017-2018 Actual Minutes	Number of days Traditional Calendar	Status
Kindergarten	36,000	45,000	180	In compliance
Grade 1	50,400	54,700	180	In compliance
Grade 2	50,400	54,700	180	In compliance
Grade 3	50,400	54,700	180	In compliance
Grade 4	54,000	54,700	180	In compliance
Grade 5	54,000	54,700	180	In compliance
Grade 6	54,000	60,000	180	In compliance
Grade 7	54,000	60,000	180	In compliance
Grade 8	54,000	60,000	180	In compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

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

SANTA RITA UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

General Fund	(Budget) (note 2) 2019	2018	2017	2016
Revenues and other financial sources	$ 40,701,541	$ 38,374,009	$ 36,742,763	$ 35,286,093
Expenditures	38,827,342	34,773,443	35,056,248	33,514,438
Other uses and transfers out	102,670	5,000	4,235,306	598,896
Total outgo	38,930,012	34,778,443	39,291,554	34,113,334
Change in fund balance	1,771,529	3,595,566	(2,548,791)	1,172,759
Ending fund balance	$ 12,998,798	$ 11,227,269	$ 7,631,703	$ 10,180,494
Available reserves (note 1)	$ 1,162,319	$ 1,032,619	$ 6,346,005	$ 8,006,583
Reserved for economic uncertainties	$ 1,162,319	$ 1,032,619	$ 1,181,827	$ 8,006,583
Unassigned fund balance	$ -	$ -	$ -	$ -
Available reserves as a percentage of total outgo	2.99%	2.97%	16.15%	23.47%
Total long-term debt	$ 54,540,779	$ 55,164,029	$ 48,365,381	$ 45,095,247
Average daily attendance at P-2	3,413	3,413	3,342	3,209

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal 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.

The General Fund balance has increased by $1,046,775 over the past two fiscal years. The fiscal year 2018-19 budget projects an increase of $1,771,529 in fund balance. For a District this size, the State recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years, and anticipates an operating surplus in the 2018-19 fiscal year. Total long-term debt has increased by $10,068,782 over the past two fiscal years.

Average daily attendance has increased by 204 over the past two fiscal years. No change in ADA is anticipated during the fiscal year 2018-19.

Notes:
1) Available reserves consist of all unassigned fund balances and reserved for economic uncertainties contained within the General Fund.
2) Budget 2019 is included for analytical purposes only and has not been subjected to audit.

SANTA RITA UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through the California Department of Education:			
Title I	84.010	14981	$ 502,357
Special Education	84.027	13379	465,189
Improving Teacher Quality	84.367	14341	75,686
Title III	84.365	14346	105,870
			1,149,102
U.S. Department of Agriculture:			
Passed through the California Department of Education:			
National School Lunch	10.555	13524	1,088,545
National School Breakfast	10.553	13526	483,153
			1,571,698
Child and Adult Care Food	10.558	13666	99,098
			1,670,796
Health and Human Services:			
Direct Programs:			
Medical Billing	93.778	10013	94,302
			94,302
Total expenditures of federal awards			$ 2,914,200

The accompanying note is an integral part of this schedule.

SANTA RITA UNION SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Santa Rita Union School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements*, Cost Principles 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 basic financial statements. The District has not elected to use the ten percent de minimus cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

SANTA RITA UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2018

	General Fund	Child Development Fund	Capital Facilities Fund
June 30, 2018, annual financial and budget report fund balances	$ 11,227,269	$ -	$ 507,671
Understatement of inventory			
June 30, 2018, audited financial statements fund balances	$ 11,227,269	$ -	$ 507,671

	Long-Term Debt
June 30, 2018, annual financial and budget report total liabilities	$ 46,412,941
Overstatement of bonds payable	(30,180)
Overstatement of compensated absences payable	(38,856)
Understatement of net pension liability	7,812,141
Understatement of net OPEB liability	1,007,983
June 30, 2018, audited financial statements long-term debt total liabilities	$ 55,164,029

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance as reported on the audited financial statements.

Cafeteria Fund	Bond Interest and Redemption Fund	Special Reserve Fund
$ 142,426	$ 1,099,227	$ 280,986
38,295		
$ 180,721	$ 1,099,227	$ 280,986

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Santa Rita Union School District
Salinas, 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 the Santa Rita Union School District (the District), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-1 through 2018-3 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Santa Rita Union School District's Response to Findings

Santa Rita Union School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Santa Rita Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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Purpose of this Report

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

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 14, 2018

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Santa Rita Union School District
Salinas, California

Report on State Compliance

We have audited the Santa Rita Union School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting,* prescribed by Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of Santa Rita Union School District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Rita Union School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting,* prescribed by Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Santa Rita Union 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. Our audit does not provide a legal determination of Santa Rita Union School District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance accounting:	
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	Not applicable
Continuation education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable

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Compliance Requirements	Procedures in Audit Guide Performed
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship, Related and Supplemental Instruction	Not applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Not applicable
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
CHARTER SCHOOLS:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instruction Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

Opinion on State Compliance

In our opinion, the Santa Rita Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of all the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with 2017-2018 Guide for Annual *Audits of California K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 14, 2018

The term "not applicable" is used above to mean either Santa Rita Union School District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Santa Rita Union School District
Salinas, California

Report on Compliance for Each Major Federal Program

We have audited the Santa Rita Union School District's compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of Santa Rita Union School District's major federal programs for the fiscal year ended June 30, 2018. Santa Rita Union School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Rita Union 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 the Santa Rita Union 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 the Santa Rita Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Santa Rita Union 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 major federal program for the fiscal year ended June 30, 2018.

Report on Internal Control

Management of Santa Rita Union 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 Rita Union 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 of the effectiveness of Santa Rita Union School District's internal control over compliance.

2400 Professional Parkway, Suite 205 Santa Maria, CA 93455 Tel 805.925.2579 Fax 805.925.2147 mlhcpas.com

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-4 and 2018-5 that we consider to be significant deficiencies.

Santa Rita Union School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questions costs. Santa Rita Union School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 14, 2018

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FINDINGS AND RECOMMENDATIONS SECTION

SANTA RITA UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	______	Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	______	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516	X	Yes	______	No

Identification of major programs

CFDA Number (s)	Name of Federal Program or Cluster
84.010	Title I
84.027	Special Education

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee:	X	Yes	______	No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?	______	Yes	X	No
Type of auditors' report issued on compliance for state programs:	Unmodified			

Section II – Financial Findings and Questioned Costs

FINDING 2018-1
PAYROLL
30000

Criteria:
Internal control policy specifies the use of a personnel action form which details the approved pay rate, step, stipend, job description, account coding, and allocation, etc. for each employee that is signed by the employee, supervisor, and human resources manager, when the employee is hired, and upon each change to any of the employee's payroll information.

Condition:
Tested 25 payroll transactions and it was noted that 23 personnel action forms were not signed by the employee.

Effect:
Unsigned personnel action forms leave the agreement of appropriate wages undocumented, which could lead to future disputes and/or lawsuits.

Cause:
District oversight.

Recommendation:
The District should complete and retain in the personnel files a signed personnel action form stating all payroll information necessary for payroll processing, and complete a revised form for each change to an employee's payroll information to ensure employees are paid the correct wage and that all parties are in agreement with pertinent payroll information.

District's Corrective Action Plan:
The District received this finding in the June 30 2017 audit. We received the finding in December of 2017. While corrective action was taken during the spring of 2018, not all employees were reached or still failed to return a signed PAFs. As part of the annual submission of employee paperwork, the District had employees submit new PAFs in the Spring and Fall of 2018. A recent internal audit of employee files uncovered that all but 13 employees in the District have returned their forms. Those employees who have not responded to e-mails to come into the office and sign their PAF will be contacted in person in January for their signature.

FINDING 2018-2
PAYROLL
30000

Criteria:
Vacation hours earned should agree with the amount stated in the employee's contract or MOU.

Condition:
Tested 25 payroll transactions and it was noted the Chief Business Officer was granted 116.67 hours over the contracted amount of 200 hours for the year.

Effect:
Employee over-accrued vacation hours.

Cause:
Adjustments were made to correct prior year's vacation but was not reviewed by employees.

Recommendation:
The District should implement internal controls to verify the amount of vacation hours gained by District personnel.

District's Corrective Action Plan:
This finding was due to a corrective action taken in the Spring of 2018 that adjusted an under awarding of vacation found in Finding 2017-2 from our prior year's Audit. That adjustment was entered manually and was never reversed, therefore that adjustment was activated again with the renewing of this year's employee rollover creating the over awarding of vacation days. The District, with the assistance of the Monterey County Office of Education, has made the adjustment in ESCAPE to ensure accurate accounting of contracted vacation days.

FINDING 2018-3
STUDENT BODY ACCOUNTS
30000

Criteria:
Internal control procedures must be followed when students hold a fund-raising event or collect cash. Per the ASB Accounting Manual, a fund-raising event may not be held unless cash control procedures have been established for the event, to protect against fraud, and to provide evidence that cash was handled appropriately. The ASB must reconcile cash received to cash deposited from every fund-raising event and collection of cash by using the following five cash control procedures as applicable; prenumbered tickets for all sales events, a cash register for store-type sales, prenumbered receipt books for all receipt transactions, a tally sheet for designated activities, and inventory control for vending machines.

California Education Code § 48933 "requires that ASB funds must be spent with the preapproval of three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization."

Condition:
Tested 19 ASB deposits from McKinnon Elementary School and it was noted that 1 deposit for yearbook sales was missing a receipt to substantiate the deposit.

Effect:
The District is out of compliance with the requirements for conducting ASB events.

Cause:
District oversight.

Recommendation:
Prepare and retain documentation of cash received for all ASB events that includes the event, date, amount received from each individual, number of yearbooks sold, tickets sold, amount deposited, etc. in enough detail to allow recalculation of the amount received that agrees with the amount deposited for each event conducted during each school year. See *Chapter 10 – Cash Receipt Management & Procedures* of the ASB Accounting Manual for more information.

District's Corrective Action Plan:
The District contracted with FCMAT to provide legal training to its sites on June 8, 2018. This training covered all facets of student accounts both ASB and elementary student accounts. The District is in the process of working with its sites to create an action plan outlining it procedures for any and all fundraisers to the governing board for review and adoption.

Section III – Federal Award Findings and Questioned Costs

FINDING 2018-4
PAYROLL
50000

Information on Federal Program:
Special Education Cluster, (CFDA Number 84.027, Department of Education, Pass-Through Entity Identifying Number)

Criteria:
Internal control policy specifies the use of a personnel action form which details the approved pay rate, step, stipend, job description, account coding, and allocation, etc. for each employee that is signed by the employee, supervisor, and human resources manager, when the employee is hired, and upon each change to any of the employee's payroll information.

Condition:
Tested 35 payroll transactions and it was noted that all personnel action forms were not signed by the employee.

Cause:
District oversight.

Effect:
Unsigned personnel action forms leave the agreement of appropriate wages undocumented, which could lead to future disputes and/or lawsuits.

Questioned Costs:
$0

Context:
See condition above for context of the finding.

Identification as a Repeat Finding, if Applicable:
This was a financial statement finding in the prior year audit, see Finding 2017-1.

Recommendation:
The District should complete and retain in the personnel files a signed personnel action form stating all payroll information necessary for payroll processing, and complete a revised form for each change to an employee's payroll information to ensure employees are paid the correct wage and that all parties are in agreement with pertinent payroll information.

Views of Responsible Officials and District's Corrective Action Plan:
See action plan for Finding 1.

FINDING 2018-5
PAYROLL
50000

Information on Federal Program:
Title I, (CFDA Number 84.010, Department of Education, Pass-Through Entity Identifying Number 14981)

Criteria:
Internal control policy specifies the use of a personnel action form which details the approved pay rate, step, stipend, job description, account coding, and allocation, etc. for each employee that is signed by the employee, supervisor, and human resources manager, when the employee is hired, and upon each change to any of the employee's payroll information.

Condition:
Tested 40 payroll transactions and it was noted that all personnel action forms were not signed by the employee.

Cause:
District oversight.

Effect:
Unsigned personnel action forms leave the agreement of appropriate wages undocumented, which could lead to future disputes and/or lawsuits.

Questioned Costs:
$0

Context:
See condition above for context of the finding.

Identification as a Repeat Finding, if Applicable:
This was a financial statement finding in the prior year audit, see Finding 2017-1.

Recommendation:
The District should complete and retain in the personnel files a signed personnel action form stating all payroll information necessary for payroll processing, and complete a revised form for each change to an employee's payroll information to ensure employees are paid the correct wage and that all parties are in agreement with pertinent payroll information.

Views of Responsible Officials and District's Corrective Action Plan:
See action plan for Finding 1.

Section IV – State Award Findings and Questioned Costs

There were no state award findings or questioned costs.

Section II – Financial Findings and Questioned Costs

FINDING 2017-1
PAYROLL
30000

Criteria:
Internal control policy specifies the use of a personnel action form which details the approved pay rate, step, stipend, job description, account coding and allocation, etc. for each employee that is signed by the employee, supervisor, and human resources manager, when the employee is hired, and upon each change to any of the employee's payroll information.

Condition:
Tested 40 payroll transactions and it was noted that 9 personnel action forms were not signed by the employee.

Effect:
Unsigned personnel action forms leave the agreement of appropriate wages undocumented, which could lead to future disputes and/or lawsuits.

Cause:
District oversight.

Recommendation:
The District should complete and retain in the personnel files a signed personnel action form stating all payroll information necessary for payroll processing, and complete a revised form for each change to an employee's payroll information to ensure employees are paid the correct wage and that all parties are in agreement with pertinent payroll information.

District's Corrective Action Plan:
The District shall immediately begin completing and retaining a completed personnel action form for each employee and revising each one to reflect any and all modifications or changes to employee information and/or pay status to ensure each employee is appropriately compensated.

Current Status:
Not Implemented. See Finding 2018-1.

FINDING 2017-2
PAYROLL
30000

Criteria:
Vacation hours earned should agree with the amount stated in the employee's contract or MOU.

Condition:
Tested 40 payroll transactions and it was noted the Chief Business Officer was given 44.58 hours of vacation for the period of January 1, 2017 to June 30, 2017 instead of 100 hours, which is the prorated amount of 200 hours stated in the contract.

Effect:
Employee under-accrued vacation hours.

Cause:
Vacations hours were not monitored closely by District personnel.

Recommendation:
The District should implement internal controls to verify the amount of vacation hours gained by District personnel.

District's Corrective Action Plan:
The District shall implement an internal auditing process of monthly sampling of 50 employees to ensure that the correct amount of vacation hours is applied to each employee file.

Current Status:
Not Implemented. See Finding 2018-2.

FINDING 2017-3
STUDENT BODY ACCOUNTS
30000

Criteria:
Internal control procedures must be followed when students hold a fund-raising event or collect cash. Per the ASB Accounting Manual, a fund-raising event may not be held unless cash control procedures have been established for the event, to protect against fraud, and to provide evidence that cash was handled appropriately. The ASB must reconcile cash received to cash deposited from every fund-raising event and collection of cash by using the following five cash control procedures as applicable; prenumbered tickets for all sales events, a cash register for store-type sales, prenumbered receipt books for all receipt transactions, a tally sheet for designated activities, and inventory control for vending machines.

California Education Code § 48933 "requires that ASB funds must be spent with the preapproval of three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization."

Condition:
Tested 13 ASB deposits from Bolsa Knolls Middle School and it was noted that 1 deposit did not have sufficient backup or documentation for the popcorn fundraiser.

Effect:
The District is out of compliance with the requirements for conducting ASB events.

Cause:
District oversight.

Recommendation:
Prepare and retain documentation of cash received for all ASB events that includes the event, date, amount received from each individual, number of yearbooks sold, tickets sold, amount deposited, etc. in enough detail to allow recalculation of the amount received that agrees with the amount deposited for each event conducted during each school year. See *Chapter 10 – Cash Receipt Management & Procedures* of the ASB Accounting Manual for more information.

District's Corrective Action Plan:
The District shall provide training to its sites that conduct any business through an ASB to ensure that it is not in violation of Education Code 48933. Each site will submit an action plan outlining its procedures for any and all fundraisers to the governing board for review and adoption.

Current Status:
Not Implemented. See Finding 2018-3.

FINDING 2017-4
STUDENT BODY ACCOUNTS
30000

Criteria:
Vendors should be paid the amount disclosed on the invoice.

Condition:
Tested 40 ASB disbursements and it was noted that one check did not match the invoice by $0.60.

Effect:
Vendor was underpaid.

Cause:
District oversight.

Recommendation:
District should enforce internal control policies of reviewing of disbursements before signing the checks.

District's Corrective Action Plan:
The District shall enforce existing internal control policies to ensure appropriate disbursements are made.

Current Status:
Implemented.

FINDING 2017-5
EMPLOYEE REIMBURSEMENTS
30000

Criteria:
All employee reimbursements should follow the District's Board approved policy and should include appropriate backup before a disbursement can be made.

Condition:
During our examination of 20 employee reimbursements, it was noted that one reimbursement did not contain an itemized receipt and another reimbursement did not have the proper documentation.

Cause:
District oversight.

Effect:
Without documentation, cannot verify if the item was a proper reimbursement.

Recommendation:
The District should enforce a policy that requires all employee reimbursements to have proper documentation.

District's Corrective Action Plan:
The District shall adopt a comprehensive policy for reimbursements and adopt the practice of having all receipts submitted for reimbursement reviewed by two fiscal office staff to ensure proper documentation is received prior to reimbursement.

Current Status:
Implemented.

FINDING 2017-6
CONSTRUCTION IN PROGRESS
30000

Criteria:
A list of construction in progress projects should be maintained at year-end.

Condition:
During our examination of capital assets, it was noted the District did not maintain a detailed listing of construction in progress projects.

Cause:
District oversight.

Effect:
Without the detailed list, when the projects are completed, the amount capitalized has the potential to be under or overvalued.

Recommendation:
The District should create a policy in which a detailed construction in progress list is maintained.

District's Corrective Action Plan:
The District will develop then adopt a detailed board policy for construction in progress list and then provide appropriate training for the MOT director and Business office staff for the maintenance of said list.

Current Status:
Implemented.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs.

SANTA RITA UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section IV – State Award Findings and Questioned Costs

FINDING 2017-7
ATTENDANCE
10000

Criteria:
In accordance with Education Code Section 46000, attendance shall be recorded and kept according to regulations prescribed by the State Board of Education. The Annual reports of attendance submitted to the California Department of Education must reconcile to the supporting documents.

Condition:
In testing attendance, it was noted that the District's P-2 and P-Annual submitted to the California Department of Education did not reconcile to the supporting documents.

Effect:
The District over-reported average daily attendance at P-2 by 1.86 and at P-Annual by 0.60:

	P-2		
Class	Submitted	Revised	Difference
K-3	1,454.00	1,453.75	(0.25)
4-6	1,118.59	1,117.07	(1.52)
7-8	771.75	771.66	(0.09)
Total	3,344.34	3.342.48	(1.86)

	P-Annual		
Class	Submitted	Revised	Difference
K-3	1,454.79	1,454.51	(0.28)
4-6	1,115.30	1,114.97	(0.33)
7-8	769.97	769.98	0.01
Total	3,340.06	3.339.46	(0.60)

Cause:
The District's attendance software allowed for District staff to alter the attendance data after the P-2 was completed. The District office was not communicated that attendance had been changed. Part of the difference was caused by the District's way of calculating the ADA at P-2 and P-Annual. The District would take the average of the average attendance by month, instead of using the average daily attendance.

Questioned Costs:
$16,997, 2 ADA for 4-6 gradespan.

Recommendation:
District should review the attendance supporting documentation to ensure the correct amount is reported on the P-2 and P-Annual report. Also the District should amend and resubmit the P-2 and P-Annual report to reflect the above changes.

District's Corrective Action Plan:
The District will review the attendance supporting documentation to ensure the correct amount is being reported. The District will also provide the Student Data Analyst with additional training to ensure that proper calculations are submitted. The District will also amend and resubmit the P-2 and P-Annual report to reflect the correct numbers with the resulting adjustment of $16,997 for the overstatement of 2 ADA (4-6 Grade span).

Current Status:
Implemented.

FINDING 2017-8
UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT
40000

CRITERIA:
In accordance with Education Code Section 42238.02, Districts should provide accurate California Longitudinal Pupil Achievement Data System (CALPADS) to report aggregate English learner, foster youth and free or reduce-price meal eligibility pupil data according to regulations prescribed by the State Board of Education.

CONDITION:
Tested 3 schools sites, La Joya Elementary, Santa Rita Elementary, and Gavilan View Middle School. At La Joya, in our test of 40 Free or reduced only children, it was noted 11 children were not eligible for free or reduced meals, but were marked as Free in CALPADS, and 3 applications could not be found. At Santa Rita Elementary, in our test of 17 EL only students, it was noted that 1 child was not an English learner, but was marked as EL in CALPADs. At Gavilan View Middle School, in our test of 40 Free or reduced only children, it was noted that 4 children were not eligible for free or reduced meals, but were marked as Free in CALPADs, and 1 application could not be found.

CAUSE:
The District did not review the CALPADs data before submission.

EFFECT:
At La Joya Elementary School, 14 free or reduced only children were disallowed. The error rate was extrapolated to the overall population of free or reduced only children at La Joya Elementary, which resulted in 32 children being disallowed. At Santa Rita Elementary, 1 English learner only child was disallowed. The error rate was extrapolated to the overall population of English learner only at Santa Rita Elementary, which resulted in 5 children being disallowed. At Gavilan View Middle School, 5 free or reduced only children were disallowed. The error rate was extrapolated to the overall population of free or reduced only children at Gavilan View Middle School, which resulted in 19 children being disallowed.

School Site	District's Enrollment Count	Certified Total Unduplicated Pupil Count	Unduplicated Count Adjustment Based On Eligibility for: FRPM	EL Funding	FRPM and EL	Adjusted Total Unduplicated Pupil Count	Adjusted District's Enrollment Count
Bolso Knolls Middle	652	410				410	652
Gavilan View Middle	552	420	-19			401	552
La Joya Elementary	519	391	-32			359	519
McKinnon	529	417				417	529
New Republic Elementary	597	378				378	597
Santa Rita Elementary	654	619		-5		614	654
Total	3503	2635	-51	-5	0	2579	3503

QUESTIONED COSTS:
$53,811

RECOMMENDATION:
The District should implement an internal control to review and cross reference CALPADs data to the various other systems in place for English learner data and Free or reduce eligibility.

DISTRICT'S CORRECTIVE ACTION PLAN:
The District shall undergo a complete review of all student files to review and amend each error contained therein. The District shall ensure that the Food Service reporting platform (E-trition) is compatible with our new student attendance platform (Aeires). The Supervisor of Food Services and the Student Data Analyst will meet regularly to compare counts for accuracy.

Current Status:
Implemented.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Trustees
Santa Rita Union School District
Salinas, California

Santa Rita Union School District
2019 General Obligation Refunding Bonds
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Santa Rita Union School District (the "District"), which is located in the County of Monterey, California (the "County"), in connection with the issuance by the District of $__________ aggregate principal amount of bonds designated as "Santa Rita Union School District 2019 General Obligation Refunding Bonds" (the "Bonds"). The Bonds are authorized by a resolution adopted by the Board of Trustees of the District on March 27, 2019 (the "District Resolution"), and issued pursuant to a Paying Agent Agreement dated as of May 1, 2019 (the "Paying Agent Agreement"), between the District and U.S. Bank National Association (the "Paying Agent").

In such connection, we have reviewed the District Resolution, the Paying Agent Agreement, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, the County and others, and such other documents 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 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 and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 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 Bonds, the District Resolution, the Paying Agent Agreement 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 and 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 District 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 or other offering material relating to the 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 Bonds constitute the valid and binding obligations of the District.

2. The Paying Agent Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the District.

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

4. Interest on the 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 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 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Santa Rita Union School District (the "District") in connection with its issuance of $__________ aggregate principal amount of Santa Rita Union School District 2019 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued as authorized by a resolution, adopted by the Board of Trustees of the District on March 27, 2019 (the "Resolution") and in accordance with the terms of the Paying Agent Agreement, dated as of May 1, 2019 (the "Paying Agent Agreement"), by and between the District and U.S. Bank National Association, as paying agent (the "Paying Agent"), and acknowledged by the County of Monterey.

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 (defined below) and Beneficial Owners (defined below) of the Bonds and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Paying Agent Agreement, 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 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who 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 the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section 5(b)(8), 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 Event" shall mean any of the events listed in Sections 5(a) or 5(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15(B)(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports or notices 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 relating to the Bonds dated __________, 2019.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the 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; Interim 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 (currently ending June 30) (the "Annual Report Due Date") for each year in which the Bonds are outstanding, 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 of this Disclosure Certificate. 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 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the Annual Report Due Date if they are not available by that date in accordance with Section 4(a). If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e). 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 numbers.

(b) Not later than 15 business days prior to the Annual Report Due Date set forth in Section 3(a) above, 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 Annual Report Due Date, the District shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided to the MSRB.

(d) If the District's audited financial statements are not available by the time the Annual Report Due Date, then the District shall, or shall cause the Dissemination Agent to, not later than 45 days after the certification by the Monterey County Office of Education of the District's interim financial report for each interim reporting period, provide to the Participating Underwriter and the MSRB a copy of such certified interim financial report.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(1) 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 Annual Report Due Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(2) State funding received by the District for the last completed fiscal year.

(3) Outstanding District indebtedness.

(4) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.

(5) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(6) Information regarding the top ten taxpayers within the District, if and to the extent provided to the District by the 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 shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) 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);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes;

(9) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(10) 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.

Note: For the purposes of the event identified in subsection (9), 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 shall cause the Dissemination Agent to give, 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 (10) business days after the occurrence of the event:

(1) Unless described in Section 5(a)(5), 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;

(2) Modifications to rights of Bond holders;

(3) Optional, unscheduled or contingent Bond calls;

(4) Release, substitution or sale of property securing repayment of the Bonds;

(5) Non-payment related defaults;

(6) 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;

(7) Appointment of a successor or additional paying agent or the change of name of a paying agent; or

(8) 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 shall cause the Dissemination Agent to give, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3(b).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Section 5(b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Paying Agent Agreement.

(f) The District intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), 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 Securities and Exchange 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. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate with respect to any Bonds upon the maturity, legal defeasance, prior redemption or acceleration of such Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. 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 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 the District.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a), (b), (d) or (e) or this Section 8(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds, or 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 amendment or waiver 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 Annual Report following such amendment or waiver, 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 the same manner as for a Listed Event under Section 5(e) 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 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. 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 applicable series of 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 the Superior Court of the State of California in and for the County of Monterey. 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 11. Beneficiaries. 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 (except the right of the Dissemination Agent or any Holder or Beneficial Owner to enforce the provisions of this Disclosure Certificate on behalf of the Holders).

Date: __________, 2019.

SANTA RITA UNION SCHOOL DISTRICT

By ____________________________________
Authorized District Representative

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of District: Santa Rita Union School District

Name of Bond Issues: Santa Rita Union School District 2019 General Obligation Refunding Bonds

Date of Issuance: __________, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Issuance. [The District anticipates that the Annual Report will be filed by __________.]

Dated: __________

SANTA RITA UNION SCHOOL DISTRICT

By_____[to be signed only if filed]________

APPENDIX E

COUNTY OF MONTEREY
INVESTMENT POLICY AND INVESTMENT REPORT

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of Monterey. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the Treasurer-Tax Collector and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer-Tax Collector, County of Monterey, Post Office Box 891, Salinas, California 93902.

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EXHIBIT F

MONTEREY COUNTY TREASURER'S INVESTMENT POLICY

FISCAL YEAR 2018-2019

APPROVED BY THE BOARD OF SUPERVISORS JULY 24, 2018

MONTEREY COUNTY INVESTMENT POLICY

TABLE OF CONTENTS

2018-2019

INVESTMENT POLICY

Treasurer-Tax Collector
County of Monterey

1.0 Policy

It is the policy of the Treasurer-Tax Collector of Monterey County ("Treasurer") to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands or liquidity needs of the Treasury Pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. In addition, it is the Treasurer-Tax Collector's Policy to invest all funds in strict conformance with all state statutes governing the investment of public monies.

2.0 Scope

This Investment Policy applies to all financial assets in the Treasury Pool. The Policy does not apply to bond proceeds, which are governed by their respective bond documents. These funds are accounted for in the Comprehensive Annual Financial Reports of the County and each of the Treasury Pool's participating agencies.

2.1 Participating Agencies

Participants in the Treasurer's Investment Pool shall be limited to the County of Monterey, school districts within Monterey County and those special districts, which, by statute, maintain depository authority with the County Treasurer.

2.2 Outside Agency Participation

It is the Treasurer's policy to prohibit any voluntary agency participation in the Treasury Pool.

3.0 Prudence

The County Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the County Treasurer 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 funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, a trustee is authorized to acquire investments as authorized by law.

Nothing in this Policy is intended to grant investment authority to any person or governing body except as provided in Sections 53601 and 53607 of the Government Code.

4.0 Objectives

The primary objectives, in priority order, of the County of Monterey's investment activities shall be:

4.1 Safety of Principal

Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity

The investment portfolio shall remain sufficiently liquid to enable all depositors to meet all expenditure requirements that might be reasonably anticipated. A minimum of 30% of the invested assets, including cash held in commercial bank accounts, shall be kept in assets having a maturity of one (1) year or less. In the event that unforeseen cash-flow fluctuations temporarily cause the ratio of liquid assets to decline below 30% of the portfolio balance, no new investments will be made until the minimum percentage is restored. (Custom portfolios are not required to maintain a 30% liquidity rate)

4.3 Return on Investment

The County's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority

Subject to amended delegation by the Board of Supervisors pursuant to Government Code Section 53607, the Treasurer-Tax Collector is authorized to manage the Monterey County investment program. The Treasurer-Tax Collector shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Procedures should include reference to: safekeeping, master repurchase agreements, funds transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer-Tax Collector. The Treasurer-Tax Collector shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6.0 Conflict of Interest

Pursuant to Article 2 (commencing with Section 87200) of Chapter 7 of Title 9 of the Government Code and the regulations of the Fair Political Practices Commission enacted pursuant thereto, the Treasurer-Tax Collector shall disclose investments, interests in real properties, and any income received during the period since the previous statement was filed. Such disclosure shall be in writing, and shall be filed with the officer designated by law within the time periods specified by law.

6.1 Acceptance of Gifts

The Treasurer-Tax Collector, all deputized departmental staff, and members of the Treasury Oversight Committee are prohibited from accepting any monetary or in-kind gift from any broker, dealer, or firm doing business or seeking to do business with the Monterey County Treasurer.

7.0 Authorized Dealers and Institutions

The Treasurer-Tax Collector will maintain a list of broker/dealers and institutions authorized to provide investment services. Repurchase agreements and reverse repurchase agreements shall only be made with primary dealers designated by the Federal Reserve Bank of New York. The Treasurer-Tax Collector may impose additional qualifications of brokers and their firms in order to ensure professionalism and suitability. At a minimum, all broker/dealers and/or financial institutions authorized to provide investment services to Monterey County shall meet the following criteria:

a. Commercial banks and savings institutions must be authorized as insured with the FDIC, SIPC, or NCUA (credit unions), as applicable.

b. Must hold an active corporate registered status with the Secretary of State (California), or an out-of-state counterpart agency.

c. Commercial banks and savings institutions used for deposits, must be a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, in this state

d. Must be an active member of the Financial Industry Regulatory Authority.

If a third-party Investment Advisor is authorized to conduct investment transactions on the County's behalf, the Investment Advisor may use its own list of approved broker/dealers and financial institutions for investment purposes. The Investment Advisor's approved list must be made available to the County upon request.

7.1 Limitations on Political Contributions

Pursuant to Government Code Section 27133 (c), the Treasurer-Tax Collector shall not select for business any broker, brokerage, dealer, or securities firm that has made a political contribution within the last four years in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the County Treasurer, any member of the Monterey County Board of Supervisors, or any candidate for those offices.

8.0 Authorized and Suitable Investments.

The Treasurer-Tax Collector of Monterey County may invest in any security within the limits authorized by Section 53601 and 53635 of the Government Code of the State of California, and within the limits of any other Government Code Statute that permits public agency investment in various securities or participation in investment trading techniques or strategies. Permissible investments are detailed in Appendix A.

Rating requirements and percentage limitations, where indicated, apply at the time of purchase.

8.1 Limitations

The Treasurer shall not invest in any security, which, by its structure, term or other characteristics, has the possibility of returning a zero or negative yield or could be subject to a loss of principal at the time such security has attained its maturity date. Investments shall not be made in inverse floaters, range notes, and mortgage-derived interest-only strips.

8.2 Reverse Repurchase Agreements

Any reverse repurchase agreement shall have a maximum maturity of 92 days, and the proceeds shall not be invested beyond the expiration of the reverse repurchase agreement. The maximum amount of Reverse Repurchase Agreements shall be limited to 20% of the portfolio's book value on the date of the transaction.

8.3 Maximum Credit Exposure

The Treasurer shall limit the investments in any single issuer, regardless of the combination of asset class; to no more than 5% of the portfolio's book value on the date of the transaction. Obligations of the U. S. Treasury, federal agencies, supranational, and pooled investments such as LAIF, CAMP, CalTrust, and money market funds are exempted from this restriction.

8.4 Credit Downgrade

In the event a security held by the County is downgraded below the minimum ratings required by the Policy, the security will be reviewed. The course of action will be determined on a case-by-case basis, considering such factors as the reason for the ratings change, prognosis for recovery or further ratings changes, and the market price of the security.

9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-versus-payment basis. Securities shall be held by a third-party custodian designated by the Treasurer-Tax Collector and evidenced by safekeeping receipts and tri-party master repurchase agreements.

10.0 Investments Outside Treasury Pool

The Treasurer will accept funds for investment outside of the core pooled portfolio (custom invested funds) from depository agencies who also deposit their operating fund in the core portfolio under the following criteria:

a. All such investments are subject to prior approval by the Monterey County Treasurer.

b. The funds represent proceeds of bonds, other forms of indebtedness, or special purpose funds not required for normal operating expenses, and

c. The funds represent new or additional assets of the agency that were not previously invested in the Monterey County Investment Pool, or under other conditions approved by the Treasurer, and

d. The funds may be transferred to the core portfolio upon mutual agreement between the depository agency and the Monterey County Treasurer. Any such transfer will reflect the market value of any securities sold prior to their maturity, where the underlying funds cannot be transferred back to a custom investment outside the core portfolio unless approved by the Treasurer, and

e. Funds may be transferred to the Monterey County Treasurer's operating (checking) account for further disbursement provided the funds originate from: maturing securities; overnight funds; sold securities subject to subsection 10 (c.) above, and associated earned income on those funds, and

f. Within 7 business days prior to the maturity of any security the depository agency shall inform the Monterey County Treasurer of the desired disposition of such maturing assets to include, rollover to a new asset, transfer to the core portfolio, or transfer to the Monterey County Treasurer's operating account subject to the conditions in 10 (a.) through (g.) inclusive, and

g. Any earned income on "custom invested funds" will be segregated from the core portfolio and deposited to an overnight fund designated specifically for such income. Any liquidation or transfer of the underlying asset will invoke a corresponding transfer of the associated earned income.

11.0 Criteria for Withdrawal of Funds from the Treasury Investment Pool Section 27136 and Section 27133 (h) - Government Code

An agency with funds on deposit in the County Treasury where such funds may statutorily be invested outside of the County Treasury may apply for a withdrawal of those funds. Pursuant to Government Code Sections 27133 (h) and 27136, the County Treasurer shall evaluate each proposal for withdrawal of funds. The Treasurer's evaluation shall assess the effect of a proposed withdrawal on the stability and predictability of the investments in the County Treasury Pool. In addition and prior to any withdrawal, the Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the Treasury Pool.

All applications for withdrawal must be submitted by a Resolution of the depository agency at least 30 days in advance of the anticipated date of withdrawal. Resolutions for withdrawal shall include:

a. A statement of the purpose for withdrawal.

b. The date(s) and amount(s) of funds to be withdrawn.

c. A certification that funds withdrawn from the county pool shall be managed by the applicant agency and that withdrawn funds shall not be returned for future investment by the County Treasurer for a term of one year, and

d. An acknowledgement that the value of any funds withdrawn from the County Treasury shall reflect their most recent quarterly asset valuation as reported by the Treasurer.

The Treasurer shall provide an applicant agency a written response within 15 days from receipt of the application. The Treasurer's determination shall be final.

12.0 Maximum Maturities

Any non-marketable investments, such as time deposits, should not exceed a two-year maturity. In addition, no specific investment shall have a term remaining to maturity in excess of five years except under the following circumstance, and subject to specific approval of the Board of Supervisors at least 90-days in advance of purchasing investments:

Other special purpose investments where the maturity term is not integral to short term cash flow needs.

12.1 Weighted Average Maturity

The weighted average maturity of the pool portfolio (exclusive of custom investments) shall not exceed two years.

13.0 Audits

The Monterey County investment portfolio shall be subject to a process of independent review by the Auditor-Controller's internal auditor. The County's external auditors shall review the investment portfolio in connection with the annual county audit and requirements of the Governmental Accounting Standards Board.

14.0 Performance Standards

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow needs. The County may establish a market-based performance benchmark for comparison.

15.0 Investment Policy Review and Approval

The Treasurer-Tax Collector of Monterey County shall submit the Investment Policy to the Board of Supervisors for review and approval at least annually.

15.1 Legislative Changes

Any State of California legislative action that further restricts allowable maturities, investment types, minimum credit requirements, or percentage allocations will be incorporated immediately into the Investment Policy.

16.0 Reporting

Pursuant to Government Code Section 53646 (b) the Treasurer-Tax Collector may provide quarterly investment reports to the Board of Supervisors, Treasury Oversight Committee, and all pool participants. The report shall include a listing of all securities held in the portfolio. Such listing shall include investment description, maturity date, par, amortized book value, market values and their source, and a risk measurement standard such as duration, along with certifications concerning the portfolio’s compliance with the Policy and the portfolio's available liquidity to meet expenditure requirements for the next six months. The quarterly report shall be submitted to the Board of Supervisors within 30 days of the quarter end being reported.

17.0 Allocation of Investment Costs

The costs of investing, banking, and cash management as budgeted annually and applied quarterly shall be assessed to depositing agencies at the time of quarterly interest apportionment by the County Auditor-Controller, and in accordance with Government Code statutes. Depositing agencies will receive net revenue after pro rata application of costs that correspond to a basis point reduction to earned interest rates.

When actual annual costs of investing are determined, any differences from budgeted amounts shall be included in an adjusting interest allocation by the Auditor-Controller.

18.0 Treasury Oversight Committee

A Treasury Oversight Committee nominated by the County Treasurer and confirmed by the Board of Supervisors shall provide oversight through periodic review of the Investment Policy and compliance with such Policy. The Treasury Oversight Committee, pursuant to Government Code Section 27130 et seq; shall consist of 6 members including: the Treasurer-Tax Collector, the County Administrative Officer or his/her designee, the County Superintendent of Schools, or his/her designee, a representative of the governing bodies of County School Districts, a representative of the legislative bodies of County Special Districts that are authorized depositors in the County Treasury, and a member of the public. The committee shall meet at least annually, or as needed, and shall review the Investment Policy and report on compliance with such Policy.

18.1 Establishment of Treasury Oversight Committee

Pursuant to Section 27130 et seq; of the Government Code, the Monterey County Treasury Oversight Committee was established. The committee shall be subject to the provisions of the Political Reform Act of 1974, as amended (Government Code Sections 8100 et seq).

18.2 Brown Act

Pursuant to Government Code Section 27132.4, Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5).

18.3 Membership Prohibitions

Pursuant to Government Code Section 27132.2, no member of the committee shall 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.

Pursuant to Government Code Section 27132.3, a member of the Treasury Oversight Committee 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.

18.4 Compliance Audit

Pursuant to Government Code Section 27134, the County Treasury Oversight

Committee shall cause an annual audit to be conducted to determine the County Treasurer’s compliance with Article 6, Chapter 5 of Division 2 of Title 3 of the Government Code.

19.0 Disaster Recovery

The Treasurer-Tax Collector shall maintain a disaster recovery plan and shall include contact information for key personnel as well as active bankers, broker/dealers, and the County’s investment advisor.

APPENDIX A
Authorized Investments County General Pool

Instrument	Maximum Maturity per code	County Restriction	Max %/ Dollar Limit
California State Treasurer's Local Agency Investment Fund	N/A	N/A	Amount permitted by LAIF per account or as approved by the State Treasurer for bond/note proceeds (Currently $65,000,000)
California Asset Management Program (CAMP)	N/A	N/A	20%
CalTrust	N/A	N/A	20%
Bonds, including revenue bonds, issued by the County, its Agencies, or authorities	5 years	N/A	10% limit issuer
U.S. Treasury notes, bonds, bills, or certificates of indebtedness bearing a full faith and credit pledge	5 years	N/A	N/A
Registered warrants, notes, and bonds, including revenue bonds, of the State of California and all other 49 states (1)	5 years	N/A	10% limit issuer
Bonds, notes, warrants, and other evidences of indebtedness issued by any local agency within California, including revenue bonds (1)	5 years	N/A	10% limit issuer
Obligations of federal agencies and United States government-sponsored enterprises	5 years	N/A	N/A
Bankers acceptances (2)	180 days	N/A	40%
Prime commercial paper of domestic issuers with assets in excess of $500 million (2)	270 days	N/A	40%
Negotiable certificates of deposit issued by domestic banks, associations, and state- chartered branches of foreign banks (1)	5 years	N/A	30%
Reverse repurchase agreements	92 days matched maturities	N/A	20%
Repurchase agreements	1 year	20%	N/A
Medium term notes issued by domestic corporations and depository institutions (3)	5 years	No inverse floating rate instruments	30%
Money market mutual funds	N/A	N/A	20% Total all funds 10% any one fund
Mortgage-based or asset-backed securities (4)	5 years	N/A	20%
U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, and eligible for purchase and sale within the U.S. (5)	5 years	N/A	30%
Overall portfolio weighted average maturity	2 years	-----	-----

(1) which are rated in a rating category of "A" or its equivalent or better for securities longer than one year and rated in a rating category of "A-1" or its equivalent, or better for securities under one year at time of purchase by a minimum of one nationally recognized statistical rating organization (NRSRO)
(2) which are rated in a rating category of "A-1" or its equivalent, or better by a minimum of one NRSRO at time of purchase
(3) which are rated in a rating category of "A" or its equivalent, or better by a minimum of one NRSRO at the time of purchase
(4) which are rated in a rating category of "AA" or its equivalent, and from an issuer rated in a rating category of "A" or its equivalent, or better by a minimum of one NRSRO at time of purchase
(5) which are rated in a rating category of "AA" or its equivalent, or better by a minimum of one NRSRO at time of purchase

Monterey County
Board of Supervisors

168 W. Alisal Street, 1st Floor
Salinas, CA 93901
831.755.5066

Board Order

A motion was made by Supervisor Jane Parker, seconded by Supervisor Luis A. Alejo to:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending March 31, 2019.

PASSED AND ADOPTED on this 23rd day of April 2019, by the following vote, to wit:

AYES: Supervisors Alejo, Lopez, Phillips, Parker and Adams
NOES: None
ABSENT: None

I, Valerie Ralph, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 82 for the meeting April 23, 2019.

Dated: April 24, 2019
Legistar File ID: 19-0264
Agenda Item No. 44

Valerie Ralph, Clerk of the Board of Supervisors
County of Monterey, State of California

VCN

Valerie Ralph, Clerk of the Board

Monterey County

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

Legistar File Number: 19-0264

April 23, 2019

Introduced: 4/12/2019 **Current Status:** Agenda Ready

Version: 3 **Matter Type:** General Agenda Item

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending March 31, 2019.

It is recommended that the Board of Supervisors:
Receive and Accept the Treasurer's Report of Investments for the Quarter Ending March 31, 2019.

SUMMARY:
Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached exhibits provide a narrative portfolio review of economic and market conditions that support the investment activity during the January-March period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

DISCUSSION:
During the January-March quarter, interest rates fluctuated between small gains and small declines throughout most of the period, ultimately ending the quarter with yields down across the curve following a steady decline after the Federal Reserve's March meeting. Yields fell despite a recovery in the equity markets. Longer maturity yields fell more than shorter maturities and in mid-March, the 3-month to 10-year part of the yield curve inverted for a brief period, renewing concerns about a possible recession in the near future. The Federal Reserve held short-term rates unchanged at the current target range of 2.25% to 2.50% at their January and March meetings. They also shifted to a "patient" stance on future rate actions and have implied there will be no additional Federal Reserve rate hikes in 2019. U.S. equities recovered from the sell-off last quarter and had their best quarter in at least a decade during the third quarter.
On March 31, 2019, the Monterey County investment portfolio contained an amortized book value of \$1,674,993,180 spread among 158 separate securities and funds. The par value of those funds was \$1,683,748,934 with a market value of \$1,672,221,350 or 99.8% of amortized book value. The portfolio's net earned income yield for the period was 2.32%. The portfolio produced an estimated quarterly income of \$9,095,865 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 335 days. The County Treasury continues to use short term debt to provide portfolio liquidity and enhanced investment opportunities.
The investment portfolio is in compliance with all applicable provisions of state law and the adopted Investment Policy, and contains sufficient liquidity to meet all projected outflows over the next six months. Market value pricings were obtained through resources such as Bloomberg LLP, Union Bank of California and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:
A copy of this report will be distributed to all agencies participating in the investment pool and the Treasury Oversight Committee. In addition, the report will be published on the County Treasurer's website. A monthly report of investment transactions is provided to the Board of Supervisors as required by Government Code 53607.

FINANCING:
The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. Investment earnings in the General Fund are expected to meet or exceed budgeted revenue for fiscal year 2018-19.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:
This recommendation supports the Administration initiative by providing transparency and accountability in the management of County funds in the Treasurer's investment portfolio.

__Economic Development
X Administration
__Health & Human Services
__Infrastructure
__Public Safety

Prepared by: Susanne King, Treasury Manager, x5490

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5015

All attachments are on file with the Clerk of the Board:
Exhibit A - Investment Portfolio Review 03.31.19
Exhibit B - Portfolio Management Report 03.31.19
Exhibit C - Aging Report 04.01.19

cc:
Auditor-Controller - Internal Audit Section
All depositors
County Administrative Office
County Counsel
Treasury Oversight Committee

`

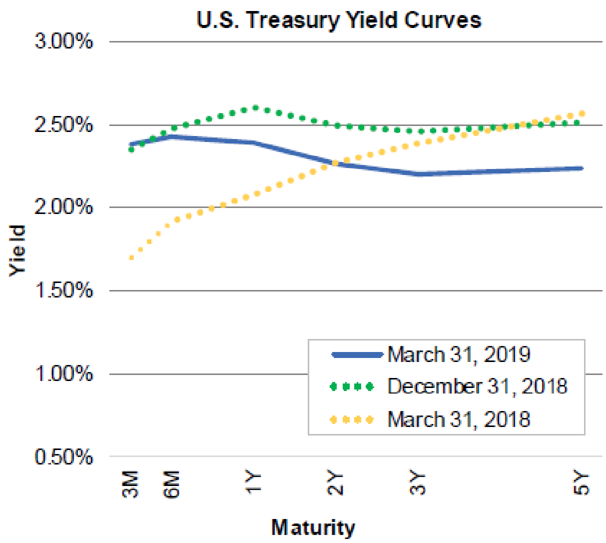
Exhibit A
Investment Portfolio Review
Quarter Ending March 31, 2019

OVERVIEW January 1, 2019 – March 31, 2019

During the January - March quarter, interest rates fluctuated between small gains and small declines during most of the period, ultimately ending with yields down across the curve following a steady decline after the Federal Reserve's March meeting. Yields fell despite a recovery in the equity markets. Longer maturity yields fell more than shorter maturities and in mid-March, the 3-month to 10-year part of the yield curve inverted for a brief period, renewing concerns about a possible recession in the near future. The Federal Reserve held short-term rates unchanged at the current target range of 2.25% to 2.50% at their January and March meetings. They also shifted to a "patient" stance on future rate actions and have implied there will be no additional Federal Reserve rate hikes in 2019. U.S. equities recovered from the sell-off last quarter and had their best quarter in at least a decade during the third quarter.

U.S. TREASURY YIELD CURVE

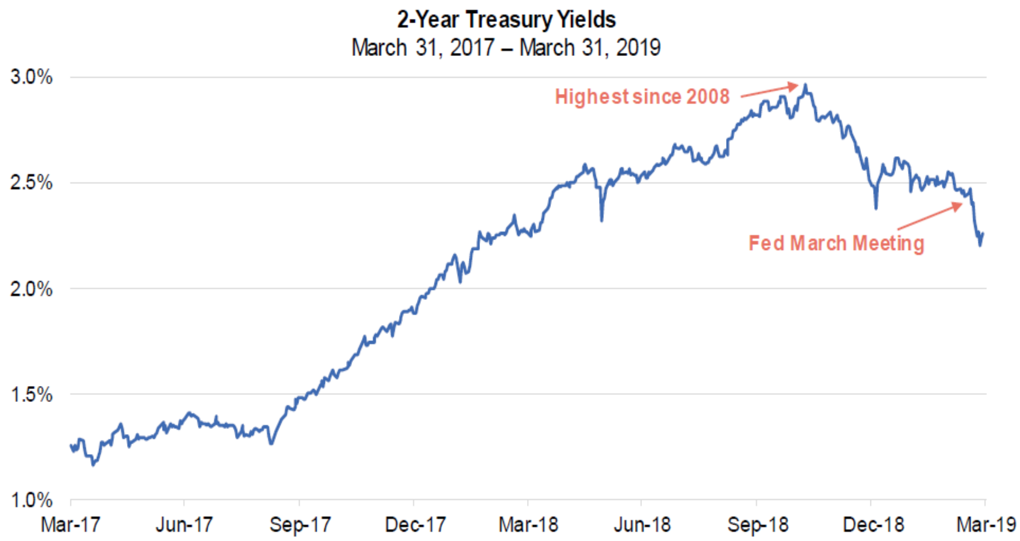
- Treasury yields fell across the curve during the quarter, with longer maturities declining by bigger margins.
- The yield curve continues to be inverted between 6-month and 5-year maturities. After inverting in mid-March, the 3-month and 10-year Treasury yields are no longer inverted, but the spread remains very narrow.



Source: Bloomberg, as of 3/31/2019.

	1Q2019 03/31/19	4Q2018 12/31/18	QoQ Change
3 month	2.38%	2.35%	-0.03%
6 month	2.42%	2.48%	-0.06%
1 year	2.39%	2.60%	-0.21%
2 year	2.26%	2.49%	-0.23%
3 year	2.20%	2.46%	-0.26%
5 year	2.23%	2.51%	-0.28%
10 year	2.41%	2.68%	-0.27%

- The 2-year Treasury decreased by 23 basis points (0.23%) to end the quarter at 2.26%.
- Yield have been on a downward trend since late 2018, driven by weaker global growth prospects and expectations for zero Federal Reserve rate hikes in 2019.



Source: Bloomberg, as of 03/31/2019.

The County Treasury continues to perform comparatively to portfolio benchmarks this quarter. Our investments continue to focus on capturing relative value while remaining cautious. The following indicators reflect key aspects of the investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, investment purchases for the portfolio included U.S. Treasuries, Federal Agencies, Corporate Notes and a Certificate of Deposit. The Treasurer continues to keep a higher level of liquid assets reflecting the need to maintain levels of available cash to ensure the ability to meet all cash flow needs.

2. Diversification - The Monterey County Treasurer's portfolio consists of 158 separate fixed income investments, all of which are authorized by the State of California Government Code 53601.

   The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition								
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper	Supranationals	Municipal Bonds	Asset Backed Securities
14.5%	4.6%	23.3%	41.0%	9.3%	3.8%	2.8%	>0.1%	0.6%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 82.1% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, negotiable CDs and other liquid funds. All assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. All corporate debt (14.5%) is rated in the higher levels of investment grade and all Federal Agency securities have AA ratings, or are

guaranteed by the U.S. Treasury. The Supranationals (2.8%) and the Asset Backed Security (0.6%) are rated AAA. The credit quality of the Treasurer's portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition								
AAA	AAAm	AA	A	A-1 (Short Term)	Aaf/S1+ (CalTRUST)	BBB+ (split rated)	Not Rated (LAIF/MMF)	Not Rated
4%	8%	56%	9%	7%	12%	1%	3%	1%

4. Liquidity Risk – Liquidity risk, as measured by the ability of the County Treasury to meet withdrawal demands on invested assets, was managed during the January - March quarter. The portfolio's average weighted maturity was 335 days, and the Treasurer maintained $392M in overnight investments to provide immediate liquidity, be able to react quickly to opportunities in the current market, and take advantage of a higher yield on the money market rates. In addition, the Treasurer maintained $573M in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	December 31, 2018	March 31, 2019
Total Assets	$1,528,686,820.37	$1,683,748,933.92
Market Value	$1,518,307,204.45	$1,672,221,350.10
Days to Maturity	272	335
Yield	2.08%	2.32%
Estimated Earnings	$7,409,471.25	$9,095,864.80

FUTURE STRATEGY

The Treasurer has 58% of the portfolio invested in maturities under one year and 42% invested in the 1-3-year maturity range. In the current interest rate environment characterized by a flat yield curve and stable rates, portfolio purchases will be laddered across maturities and sectors chosen based on relative value. This strategy will lock in longer-term yields while also ensuring liquidity needs are met. We will continue to manage the portfolio under the established tenets of safety and liquidity while seeking to maximize the rate of return.

Exhibit B

Monterey County
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Money Market Accts - GC 53601(k)(2)												
SYS11672	11672	BlackRock			0.00	0.00	0.00	0.337			0.337	
SYS12159	12159	DREYFUS AMT FREE TAX EXEMPT MM			7,121,225.18	7,121,225.18	7,121,225.18	1.438			1.438	
SYS11830	11830	Federated		07/01/2018	0.00	0.00	0.00	0.101	Aaa	AAA	0.101	
SYS11578	11578	Fidelity Investments			1,200,000.00	1,200,000.00	1,200,000.00	2.336	Aaa	AAA	2.336	
		Subtotal and Average	**8,457,630.49**		**8,321,225.18**	**8,321,225.18**	**8,321,225.18**				**1.568**	
State Pool - GC 16429.1												
SYS11361	11361	LAIF			45,800,000.00	45,800,000.00	45,800,000.00	2.399			2.399	
		Subtotal and Average	**59,400,000.00**		**45,800,000.00**	**45,800,000.00**	**45,800,000.00**				**2.399**	
CALTRUST/CAMP - GC 53601(p)												
SYS11801	11801	CalTrust			133,800,000.00	133,800,000.00	133,800,000.00	2.388	Aaa	AAA	2.388	
SYS11802	11802	CalTrust			1,000,000.00	1,000,000.00	1,000,000.00	2.323	Aaa	AAA	2.323	
SYS12211	12211	CalTrust		07/03/2018	70,100,000.00	70,100,000.00	70,100,000.00	2.019			2.019	
SYS12219	12219	CalTrust		09/18/2018	323,584.64	323,584.64	323,584.64	2.423			2.423	
SYS10379	10379	Calif. Asset Mgmt			132,100,000.00	132,100,000.00	132,100,000.00	2.607		AAA	2.607	
SYS11961	11961	Calif. Asset Mgmt		07/01/2018	0.00	0.00	0.00	0.658		AAA	0.658	
		Subtotal and Average	**276,665,155.12**		**337,323,584.64**	**337,323,584.64**	**337,323,584.64**				**2.397**	
SWEEP ACCOUNT-MORG STNLY												
SYS12041	12041	Morgan Stanley			1.00	1.00	1.00	117.321			117.321	
		Subtotal and Average	**1.01**		**1.00**	**1.00**	**1.00**				**117.321**	
SWEEP ACCOUNT - CUSTOM												
SYS12138	12138	Morgan Stanley			115,123.10	115,123.10	115,123.10	2.318			2.318	
		Subtotal and Average	**176,679.71**		**115,123.10**	**115,123.10**	**115,123.10**				**2.318**	
Medium Term Notes - GC 53601(k)												
88579YAX9	12247	MMM COMPANY		01/11/2019	250,000.00	241,959.23	241,959.23	2.250			3.123	03/15/2023
0258M0DP1	12088	American Express Credit		06/27/2016	10,000,000.00	10,020,900.00	10,021,299.82	2.250	A2	A-	1.660	08/15/2019
025816BM0	12156	American Express Credit		08/21/2017	250,000.00	249,850.00	249,850.00	2.500	A3	BBB+	2.519	08/01/2022
037833AQ3	12129	Apple Inc Corp Notes		04/07/2017	10,000,000.00	10,023,000.00	10,005,453.27	2.100	Aa1	AA+	1.528	05/06/2019
037833CQ1	12151	Apple Inc Corp Notes		08/17/2017	250,000.00	250,902.11	250,902.11	2.300	Aa1	AA+	2.177	05/11/2022
037833DH0	12187	Apple Inc Corp Notes		03/14/2018	5,000,000.00	4,980,672.29	4,980,672.29	1.800	Aa1	AA+	2.443	11/13/2019

Exhibit B

Monterey County
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
037833AR1	12268	Apple Inc Corp Notes		02/22/2019	3,825,000.00	3,836,129.59	3,836,129.59	2.850	Aa1	AA+	2.705	05/06/2021
05531FAV5	12153	BB&T Corporation		08/21/2017	250,000.00	249,740.67	249,740.67	2.050	A2	A-	2.101	05/10/2021
06406HCZ0	12126	Bank of New York Mellon Corp		03/17/2017	10,000,000.00	9,985,700.00	10,003,453.07	2.150	A1	A	2.110	02/24/2020
097014AL8	12186	BOEING Capital Securiities		03/14/2018	7,500,000.00	7,593,256.52	7,593,256.52	4.700	A2	A	2.468	10/27/2019
06051GGE3	12202	Bank of America Corp		06/07/2018	250,000.00	246,917.07	246,917.07	3.124	A3	A-	3.477	01/20/2023
06051GFW4	12234	Bank of America Corp		12/14/2018	5,000,000.00	4,913,055.74	4,913,055.74	2.625	Baa1	BBB+	3.515	04/19/2021
084664BT7	12182	Berkshire Hathaway Finance		03/12/2018	250,000.00	250,381.40	250,381.40	3.000	Aa2	AA	2.947	05/15/2022
14913Q2E8	12183	CATERPILLAR FINL SERVC		03/12/2018	250,000.00	245,103.13	245,103.13	2.550	A3	A	3.129	11/29/2022
14912L6Y2	12189	CATERPILLAR FINL SERVC		04/02/2018	5,000,000.00	4,975,992.01	4,975,992.01	2.100	A3	A	2.738	01/10/2020
14913Q2G3	12276	CATERPILLAR FINL SERVC		03/15/2019	6,125,000.00	6,146,320.44	6,146,320.44	2.900	A3		2.716	03/15/2021
166764AY6	12208	Chevron Corp. Global		06/25/2018	2,155,000.00	2,137,918.10	2,137,918.10	2.419	Aa2	AA-	2.926	11/17/2020
17275RBG6	12104	Cisco Systems Inc Corp		09/20/2016	9,000,000.00	8,906,130.00	8,998,436.75	1.400	A1		1.438	09/20/2019
17275RBD3	12150	Cisco Systems Inc Corp		08/17/2017	250,000.00	251,164.82	251,164.82	2.200	A1	AA-	1.946	02/28/2021
172967KS9	12085	Citibank		06/09/2016	3,840,000.00	3,828,864.00	3,839,877.75	2.050	Baa1	A-	2.068	06/07/2019
191216BV1	12130	Coca- Cola Co		04/07/2017	4,431,000.00	4,393,868.22	4,429,802.77	1.375	Aa3	AA-	1.543	05/30/2019
191216BG4	12250	Coca- Cola Co		01/14/2019	5,000,000.00	4,972,160.74	4,972,160.74	2.450	A1	A+	2.812	11/01/2020
369550AR9	12237	General Dynamics Corp		12/14/2018	10,000,000.00	10,132,406.44	10,132,406.44	3.875	A2	A+	3.266	07/15/2021
38141GVT8	12074	Goldman Sachs		04/25/2016	1,415,000.00	1,410,740.85	1,414,912.58	2.000	A3	BBB+	2.096	04/25/2019
38141GVT8	12075	Goldman Sachs		04/26/2016	7,210,000.00	7,188,297.90	7,209,897.36	2.000	A3	BBB+	2.022	04/25/2019
38148FAB5	12188	Goldman Sachs		04/02/2018	5,000,000.00	4,989,827.99	4,989,827.99	2.550	A3	BBB+	2.923	10/23/2019
38145GAG5	12205	Goldman Sachs		06/07/2018	250,000.00	243,228.82	243,228.82	2.350	A3	BBB+	3.454	11/15/2021
437076AW2	12235	Home Depot Inc		12/14/2018	2,750,000.00	2,810,070.37	2,810,070.37	4.400	A2	A	3.256	04/01/2021
02665WBE0	12091	American Honda Finance		07/12/2016	2,500,000.00	2,465,425.00	2,499,766.20	1.200	A1	A+	1.234	07/12/2019
4581X0DB1	12191	Inter-America Devel BK		04/19/2018	285,000.00	284,571.55	284,571.55	2.625	Aaa		2.687	04/19/2021
459200JE2	12067	IBM Corp Notes		02/19/2016	20,000,000.00	19,948,000.00	19,999,677.05	1.800	Aa3	AA-	1.812	05/17/2019
44932HAH6	12181	IBM Corp Notes		03/12/2018	250,000.00	248,070.50	248,070.50	3.000	A1	A+	3.218	02/06/2023
458140AZ3	12136	INTEL CORP		05/15/2017	10,000,000.00	9,954,100.00	10,006,468.40	1.850	A1	A+	1.790	05/11/2020
458140AZ3	12155	INTEL CORP		08/21/2017	250,000.00	248,852.50	250,136.73	1.850	A1	A+	1.799	05/11/2020
24422EUA5	12180	John Deere Capital Corp		03/12/2018	250,000.00	245,590.78	245,590.78	2.700	A2	A	3.209	01/06/2023
24422ETB5	12278	John Deere Capital Corp		03/22/2019	5,000,000.00	4,986,533.08	4,986,533.08	2.450	A2	A	2.641	09/11/2020
46625HHU7	12157	JP Morgan Chase		08/21/2017	250,000.00	257,849.55	257,849.55	4.250	A3	A-	2.129	10/15/2020
58933YAS4	12164	MERCK & CO INC		08/22/2017	250,000.00	250,385.38	250,385.38	1.850	A1	AA	1.666	02/10/2020
594918BN3	12095	MICROSOFT CORP		08/08/2016	6,500,000.00	6,413,095.00	6,499,212.72	1.100	Aaa	AAA	1.135	08/08/2019
594918BN3	12133	MICROSOFT CORP		04/07/2017	6,000,000.00	5,919,780.00	5,990,305.11	1.100	Aaa	AAA	1.568	08/08/2019
594918BG8	12149	MICROSOFT CORP		08/17/2017	250,000.00	251,037.86	251,037.86	2.000	Aaa	AAA	1.730	11/03/2020

Exhibit B

Monterey County
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
68389XBB0	12148	Oracle Corp		08/17/2017	250,000.00	251,936.40	251,936.40	2.500	A1	AA-	2.471	05/15/2022
68389XAX3	12185	Oracle Corp		03/14/2018	5,000,000.00	4,992,722.25	4,992,722.25	2.250	A1	AA-	2.537	10/08/2019
742718EN5	12154	Procter & Gamble Co		08/21/2017	250,000.00	249,756.32	249,756.32	1.850	Aa3	AA-	1.905	02/02/2021
742718EN5	12253	Procter & Gamble Co		01/15/2019	3,475,000.00	3,420,489.70	3,420,489.70	1.850	Aa3	AA-	2.734	02/02/2021
713448DX3	12236	Pepsico Inc Corp Note		12/14/2018	3,800,000.00	3,712,708.98	3,712,708.98	2.000	A1	A+	3.177	04/15/2021
713448DX3	12249	Pepsico Inc Corp Note		01/14/2019	5,000,000.00	4,914,064.98	4,914,064.98	2.000	A1	A+	2.876	04/15/2021
717081DU4	12083	PFIZER INC		06/03/2016	10,000,000.00	9,921,100.00	9,999,345.56	1.450	A1	AA	1.489	06/03/2019
808513AW5	12196	Charles Schwab Corp		05/22/2018	160,000.00	159,996.57	159,996.57	3.250	A2		3.251	05/21/2021
857477AS2	12158	State Street Corp		08/21/2017	250,000.00	252,258.88	252,258.88	2.550	A1	A	1.874	08/18/2020
857477AS2	12266	State Street Corp		02/19/2019	2,125,000.00	2,118,808.25	2,118,808.25	2.550	A1	A	2.767	08/18/2020
857477AV5	12267	State Street Corp		02/22/2019	8,723,000.00	8,548,088.61	8,548,088.61	1.950	A1	A	2.927	05/19/2021
857477AV5	12269	State Street Corp		02/22/2019	1,300,000.00	1,273,883.24	1,273,883.24	1.950	A1	A	2.929	05/19/2021
89236TBP9	12121	Toyota Motor Corporation		01/12/2017	5,000,000.00	5,000,150.00	5,003,188.74	2.125	Aa3	AA-	1.904	07/18/2019
89236TCQ6	12165	Toyota Motor Corporation		08/22/2017	250,000.00	254,399.78	254,399.78	2.800	Aa3	AA-	2.231	07/13/2022
89233P5T9	12231	Toyota Motor Corporation		12/07/2018	5,000,000.00	4,997,261.84	4,997,261.84	3.300	Aa3	AA-	3.320	01/12/2022
89236TEU5	12279	Toyota Motor Corporation		03/22/2019	5,000,000.00	5,033,784.62	5,033,784.62	2.950			2.606	04/13/2021
911312BP0	12170	UNITED PARCEL SERVICE		11/14/2017	200,000.00	199,813.05	199,813.05	2.050	A1		2.099	04/01/2021
91159HHA1	12152	US BANCORP		08/17/2017	250,000.00	260,893.36	260,893.36	4.125	A1	A+	2.215	08/24/2021
92826CAC6	12203	Visa Inc		06/07/2018	250,000.00	246,763.77	246,763.77	2.800	A1	A+	3.178	12/14/2022
931142EJ8	12223	Walmart Inc		10/31/2018	10,000,000.00	10,006,992.23	10,006,992.23	3.125	Aa2	AA	3.091	06/23/2021
94974BFU9	12089	Wells Fargo & Company		06/27/2016	10,000,000.00	9,998,400.00	10,003,651.72	2.125	A2	A	1.483	04/22/2019
		Subtotal and Average	**236,023,821.90**		**243,569,000.00**	**242,762,122.48**	**243,310,604.61**				**2.255**	
Negotiable CDs - GC 53601(i)												
06417GU22	12204	Bank of Nova Scotia		06/07/2018	400,000.00	399,910.24	399,910.24	3.080			3.100	06/05/2020
06417GUE6	12127	Bank of Nova Scotia Hous		04/06/2017	10,000,000.00	9,963,800.00	10,000,000.00	1.910			1.910	04/05/2019
55379WZT6	12272	MUFG Banl LTD/NY		02/28/2019	10,000,000.00	10,000,000.00	10,000,000.00	2.970		A-1	3.020	02/26/2021
55379WZT6	12273	MUFG Banl LTD/NY		02/28/2019	250,000.00	250,000.00	250,000.00	2.970		A-1	2.970	02/26/2021
83050FXT3	12141	Skandinaviska Enskilada Banken		08/04/2017	14,000,000.00	13,938,540.00	13,999,077.50	1.840	P-1	A-1	1.860	08/02/2019
87019U6D6	12172	Swedbank		11/17/2017	18,000,000.00	17,902,800.00	18,000,000.00	2.270			2.270	11/16/2020
89113X5B6	12209	Toronto Dominion Bank		06/29/2018	25,000,000.00	25,000,000.00	25,000,000.00	2.670	P-1	A-1+	2.670	06/28/2019
		Subtotal and Average	**71,384,755.69**		**77,650,000.00**	**77,455,050.24**	**77,648,987.74**				**2.381**	

Exhibit B

Monterey County
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Commercial Paper Disc.- GC 53601(h)												
09659CVW5	12232	BNP Paribas NY		12/07/2018	20,300,000.00	20,053,924.53	20,053,924.53	2.890	P-1	A-1	2.981	08/30/2019
46640QVC2	12238	J P Morgan Securiities Inc		12/14/2018	20,000,000.00	19,778,333.33	19,778,333.33	3.000	P-1	A-1	3.092	08/12/2019
62479MZ63	12275	MUFG Banl LTD/NY		03/13/2019	25,000,000.00	24,536,583.33	24,536,583.33	2.680	P-1	A-1	2.777	12/06/2019
		Subtotal and Average	**77,711,359.63**		**65,300,000.00**	**64,368,841.19**	**64,368,841.19**				**2.937**	
Fed Agcy Coupon Sec - GC 53601(f)												
3133EEMA5	12011	Federal Farm Credit Bank		01/30/2015	10,000,000.00	9,901,800.00	10,001,428.59	1.500	Aaa	AA	1.480	12/30/2019
3130A8DB6	12084	Federal Home Loan Bank		06/03/2016	16,935,000.00	16,753,118.10	16,934,481.77	1.125	Aaa	AA+	1.139	06/21/2019
3130A8DB6	12090	Federal Home Loan Bank		07/12/2016	26,000,000.00	25,720,760.00	26,018,698.39	1.125	Aaa	AA+	0.797	06/21/2019
313383HU8	12144	Federal Home Loan Bank		08/16/2017	1,200,000.00	1,202,967.79	1,202,967.79	1.750	Aaa	AA+	1.538	06/12/2020
3130AF5B9	12222	Federal Home Loan Bank		10/12/2018	10,000,000.00	9,997,469.44	9,997,469.44	3.000			3.011	10/12/2021
3130AEWA4	12243	Federal Home Loan Bank		01/03/2019	10,000,000.00	10,008,942.68	10,008,942.68	2.625	Aaa	AA+	2.563	10/01/2020
3130AFW94	12264	Federal Home Loan Bank		02/15/2019	370,000.00	368,723.71	368,723.71	2.500			2.576	02/13/2024
3137EADZ9	12100	Federal Home Loan Mtg Corp		08/29/2016	17,500,000.00	17,339,875.00	17,501,131.77	1.125	Aaa	AA+	0.956	04/15/2019
3137EAEB1	12114	Federal Home Loan Mtg Corp		12/19/2016	20,000,000.00	19,687,200.00	19,959,796.13	0.875	Aaa	AA+	1.561	07/19/2019
3137EAEL9	12242	Federal Home Loan Mtg Corp		01/03/2019	10,000,000.00	9,971,159.90	9,971,159.90	2.375	Aaa	AA+	2.533	02/16/2021
3135G0N33	12094	Federal National Mtg Assn		08/08/2016	18,675,000.00	18,375,639.75	18,670,097.73	0.875	Aaa	AA+	0.954	08/02/2019
3135G0T29	12123	Federal National Mtg Assn		02/28/2017	12,600,000.00	12,469,212.00	12,597,558.40	1.500	Aaa	AA+	1.522	02/28/2020
3135G0T60	12140	Federal National Mtg Assn		08/07/2017	1,200,000.00	1,198,816.12	1,198,816.12	1.500	Aaa	AA+	1.576	07/30/2020
3135G0T29	12142A	Federal National Mtg Assn		08/16/2017	700,000.00	692,734.00	700,092.87	1.500	Aaa	AA+	1.485	02/28/2020
3135G0T29	12142B	Federal National Mtg Assn		08/16/2017	500,000.00	494,810.00	500,066.33	1.500	Aaa	AA+	1.485	02/28/2020
3135G0V34	12263	Federal National Mtg Assn		02/08/2019	335,000.00	333,790.55	333,790.55	2.500			2.580	02/05/2024
		Subtotal and Average	**199,444,478.29**		**156,015,000.00**	**154,517,019.04**	**155,965,222.17**				**1.462**	
US Treasury Note-GC 53601(b)												
912828H52	12116A	U.S. Treasury		12/21/2016	12,400,000.00	12,235,824.00	12,365,147.17	1.250	Aaa		1.596	01/31/2020
912828H86	12160	U.S. Treasury		08/18/2017	2,000,000.00	1,988,110.60	1,988,110.60	1.500	Aaa		1.719	01/31/2022
912828T67	12161	U.S. Treasury		08/18/2017	2,000,000.00	1,978,379.48	1,978,379.48	1.250	Aaa		1.685	10/31/2021
912828Q78	12162	U.S. Treasury		08/18/2017	2,000,000.00	1,990,638.88	1,990,638.88	1.375	Aaa		1.607	04/30/2021
912828L99	12163A	U.S. Treasury		08/18/2017	1,750,000.00	1,746,177.31	1,746,177.31	1.375	Aaa		1.517	10/31/2020
912828L99	12163B	U.S. Treasury		08/18/2017	250,000.00	249,453.90	249,453.90	1.375	Aaa		1.517	10/31/2020
912828S43	12174	U.S. Treasury		12/21/2017	20,000,000.00	19,663,200.00	19,937,363.18	0.750	Aaa		1.857	07/15/2019
912828SX9	12175	U.S. Treasury		12/21/2017	20,000,000.00	19,800,000.00	19,977,721.01	1.125	Aaa		1.814	05/31/2019
9128282T6	12176	U.S. Treasury		01/31/2018	25,000,000.00	24,918,192.16	24,918,192.16	1.250			2.054	08/31/2019
9128282P4	12179	U.S. Treasury		03/12/2018	1,250,000.00	1,220,955.77	1,220,955.77	1.875	Aaa		2.617	07/31/2022

Exhibit B

Monterey County
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
US Treasury Note-GC 53601(b)												
912828U73	12184	U.S. Treasury		03/12/2018	20,000,000.00	19,880,253.69	19,880,253.69	1.375			2.243	12/15/2019
912828TV2	12193	U.S. Treasury		04/30/2018	15,900,000.00	15,795,900.61	15,795,900.61	1.250	Aaa		2.402	10/31/2019
9128282G4	12194	U.S. Treasury		04/30/2018	20,000,000.00	19,865,899.91	19,865,899.91	0.875	Aaa		2.376	09/15/2019
912828U32	12198	U.S. Treasury		05/21/2018	10,000,000.00	9,909,953.39	9,909,953.39	1.000	Aaa		2.481	11/15/2019
912828K58	12210	U.S. Treasury		06/29/2018	22,400,000.00	22,133,698.77	22,133,698.77	1.375	Aaa		2.506	04/30/2020
912828TR1	12215	U.S. Treasury		07/31/2018	10,000,000.00	9,927,237.38	9,927,237.38	1.000	Aaa		2.490	09/30/2019
912828XH8	12216	U.S. Treasury		07/31/2018	10,000,000.00	9,874,803.57	9,874,803.57	1.625	Aaa		2.660	06/30/2020
9128282Z2	12217	U.S. Treasury		09/14/2018	5,375,000.00	5,284,249.76	5,284,249.76	1.625			2.760	10/15/2020
912828A83	12220	U.S. Treasury		10/01/2018	21,000,000.00	20,835,857.67	20,835,857.67	2.375	Aaa		2.838	12/31/2020
912828V31	12221	U.S. Treasury		10/01/2018	22,000,000.00	21,773,260.02	21,773,260.02	1.375	Aaa		2.710	01/15/2020
9128284B3	12224	U.S. Treasury		10/31/2018	10,100,000.00	10,008,270.12	10,008,270.12	2.375	Aaa		2.858	03/15/2021
912828B58	12225	U.S. Treasury		10/31/2018	20,000,000.00	19,740,119.99	19,740,119.99	2.125	Aaa		2.861	01/31/2021
9128284D9	12226	U.S. Treasury		11/07/2018	850,000.00	833,659.93	833,659.93	2.500	Aaa		3.017	03/31/2023
912828P79	12227A	U.S. Treasury		11/07/2018	540,000.00	510,029.39	510,029.39	1.500	Aaa		3.022	02/28/2023
912828F21	12228	U.S. Treasury		11/30/2018	20,330,000.00	19,986,038.89	19,986,038.89	2.125	Aaa		2.834	09/30/2021
912828WN6	12229	U.S. Treasury		11/30/2018	15,160,000.00	14,900,393.57	14,900,393.57	2.000	Aaa		2.824	05/31/2021
9128284W7	12230	U.S. Treasury		11/30/2018	15,000,000.00	14,971,235.15	14,971,235.15	2.750	Aaa		2.834	08/15/2021
912828XM7	12233	U.S. Treasury		12/14/2018	20,000,000.00	19,699,461.66	19,699,461.66	1.625	Aaa		2.784	07/31/2020
912828B90	12239	U.S. Treasury		12/14/2018	20,000,000.00	19,715,110.94	19,715,110.94	2.000	Aaa		2.772	02/28/2021
912828Q37	12240	U.S. Treasury		12/14/2018	19,600,000.00	19,036,425.09	19,036,425.09	1.250			2.744	03/31/2021
9128282Q2	12241	U.S. Treasury		12/18/2018	25,550,000.00	25,138,271.08	25,138,271.08	1.500			2.705	08/15/2020
9128283G3	12244	U.S. Treasury		01/08/2019	11,240,000.00	11,098,619.28	11,098,619.28	1.750			2.547	11/15/2020
912828T91	12245	U.S. Treasury		01/11/2019	500,000.00	480,017.46	480,017.46	1.625	Aaa		2.557	10/31/2023
912828VB3	12246	U.S. Treasury		01/11/2019	785,000.00	760,484.03	760,484.03	1.750	Aaa		2.555	05/15/2023
912828WC0	12248	U.S. Treasury		01/14/2019	20,200,000.00	19,946,494.43	19,946,494.43	1.750	Aaa		2.566	10/31/2020
9128285R7	12251	U.S. Treasury		01/15/2019	21,750,000.00	21,812,329.42	21,812,329.42	2.625	Aaa		2.514	12/15/2021
9128283Q1	12252A	U.S. Treasury		01/15/2019	10,000,000.00	9,904,446.49	9,904,446.49	2.000			2.550	01/15/2021
9128283L2	12254	U.S. Treasury		01/31/2019	25,250,000.00	24,958,462.17	24,958,462.17	1.875	Aaa		2.572	12/15/2020
912828VJ6	12255	U.S. Treasury		01/31/2019	21,100,000.00	20,925,188.95	20,925,188.95	1.875	Aaa		2.553	06/30/2020
912828X96	12256	U.S. Treasury		01/31/2019	25,300,000.00	25,007,742.11	25,007,742.11	1.500			2.551	05/15/2020
9128282Z2	12257	U.S. Treasury		01/31/2019	25,300,000.00	24,949,904.14	24,949,904.14	1.625			2.549	10/15/2020
912828L65	12258	U.S. Treasury		01/31/2019	25,500,000.00	25,062,773.82	25,062,773.82	1.375	Aaa		2.551	09/30/2020
9128284B3	12259	U.S. Treasury		01/31/2019	25,000,000.00	24,932,435.50	24,932,435.50	2.375	Aaa		2.517	03/15/2021
912828V23	12260A	U.S. Treasury		01/31/2019	625,000.00	616,410.33	616,410.33	2.250	Aaa		2.560	12/31/2023
912828U57	12261	U.S. Treasury		02/08/2019	500,000.00	491,850.26	491,850.26	2.125	Aaa		2.498	11/30/2023

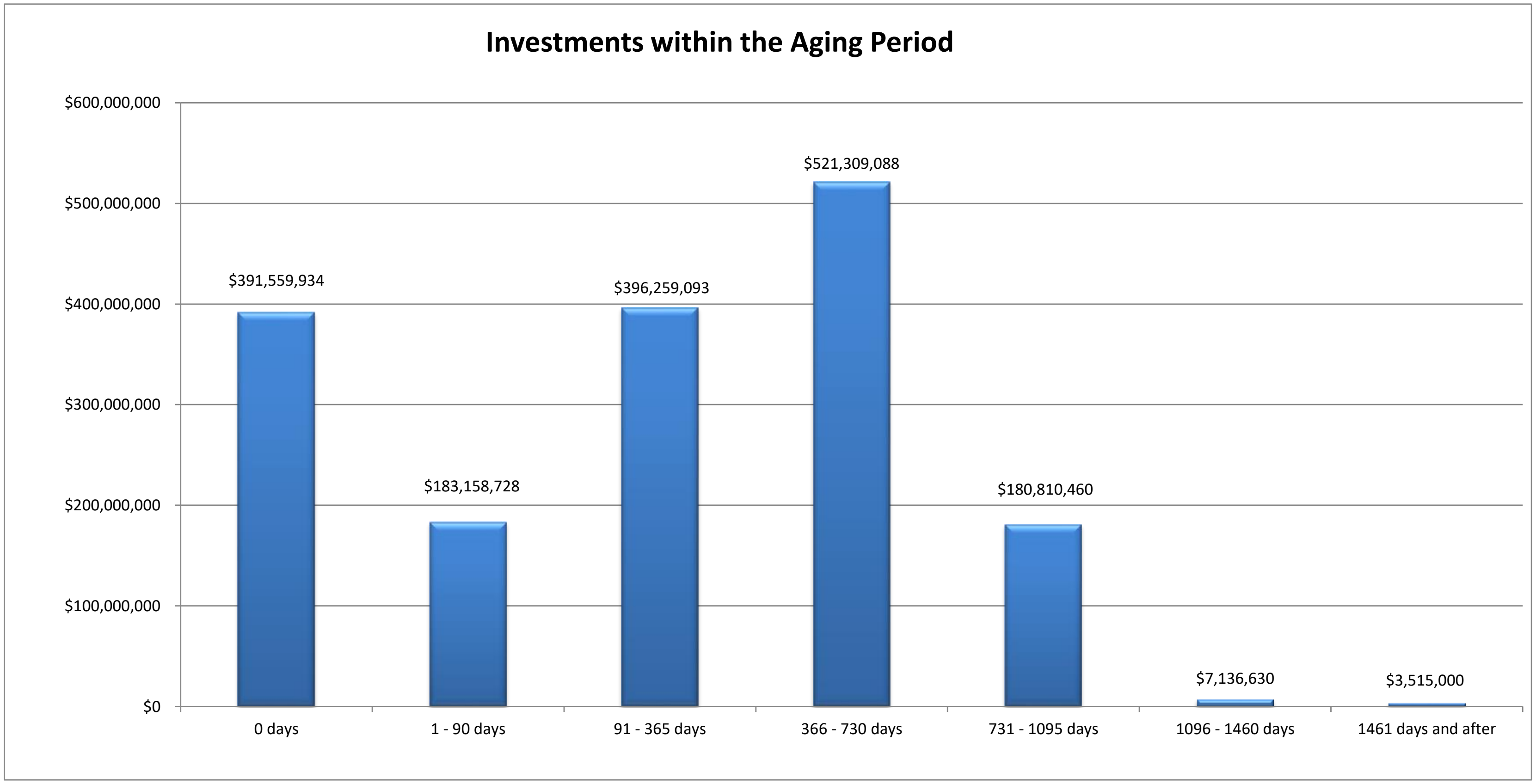
Exhibit B

Monterey County
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
US Treasury Note-GC 53601(b)												
912828P38	12262	U.S. Treasury		02/08/2019	700,000.00	681,148.90	681,148.90	1.750	Aaa		2.492	01/31/2023
9128284G2	12265	U.S. Treasury		02/19/2019	17,785,000.00	17,734,296.45	17,734,296.45	2.375	Aaa		2.519	04/15/2021
912828B90	12270	U.S. Treasury		02/26/2019	29,000,000.00	28,723,451.57	28,723,451.57	2.000	Aaa		2.514	02/28/2021
912828C57	12271	U.S. Treasury		02/27/2019	10,000,000.00	9,953,657.44	9,953,657.44	2.250	Aaa		2.489	03/31/2021
9128286G0	12274	U.S. Treasury		03/07/2019	400,000.00	396,655.95	396,655.95	2.375	Aaa		0.000	02/29/2024
912828WG1	12277	U.S. Treasury		03/18/2019	10,000,000.00	9,960,493.38	9,960,493.38	2.250	Aaa		2.445	04/30/2021
		Subtotal and Average	**600,248,630.97**		**691,390,000.00**	**684,007,924.76**	**684,589,132.12**				**2.511**	
Supranationals												
4581X0CX4	12201	Inter-America Devel BK		05/31/2018	12,975,000.00	12,846,595.62	12,846,595.62	1.625	Aaa	AAA	2.541	05/12/2020
459058GA5	12195	INTL BK RECON & DEVELP		04/30/2018	15,000,000.00	14,783,920.02	14,783,920.02	1.626	Aaa	AAA	2.675	09/04/2020
459058FS7	12197	INTL BK RECON & DEVELP		05/21/2018	10,000,000.00	9,906,161.90	9,906,161.90	1.126	Aaa	AAA	2.595	11/27/2019
459058FA6	12199	INTL BK RECON & DEVELP		05/25/2018	10,000,000.00	9,882,366.77	9,882,366.77	1.376	Aaa	AAA	2.591	03/30/2020
		Subtotal and Average	**47,353,817.46**		**47,975,000.00**	**47,419,044.31**	**47,419,044.31**				**2.605**	
Asset Backed Security(GNMA/CMO)												
05522RCW6	12206	BACCT 2017		06/13/2018	10,000,000.00	9,841,406.25	9,841,406.25	1.950	Aaae		2.896	08/15/2022
		Subtotal and Average	**9,841,406.25**		**10,000,000.00**	**9,841,406.25**	**9,841,406.25**				**2.896**	
Municipal Bonds												
13063DGA0	12192	California TXBL		04/25/2018	290,000.00	290,007.91	290,007.91	2.800	Aa3	AA-	2.799	04/01/2021
		Subtotal and Average	**290,008.40**		**290,000.00**	**290,007.91**	**290,007.91**				**2.799**	
		Total and Average	**1,586,997,744.92**		**1,683,748,933.92**	**1,672,221,350.10**	**1,674,993,180.22**				**2.361**	

Exhibit C
Monterey County
Aging Report
By Maturity Date
As of April 1, 2019

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(04/01/2019 - 04/01/2019)	13 Maturities	391,559,933.92	23.26%	391,559,933.92	391,559,933.92
Aging Interval:	1 - 90 days	(04/02/2019 - 06/30/2019)	14 Maturities	183,158,728.35	10.88%	182,334,651.00	181,289,824.07
Aging Interval:	91 - 365 days	(07/01/2019 - 03/31/2020)	34 Maturities	396,259,093.21	23.53%	391,757,213.77	390,181,063.21
Aging Interval:	366 - 730 days	(04/01/2020 - 03/31/2021)	46 Maturities	521,309,088.26	30.96%	512,888,291.00	512,737,438.37
Aging Interval:	731 - 1095 days	(04/01/2021 - 03/31/2022)	28 Maturities	180,810,460.23	10.74%	177,186,083.83	177,186,083.83
Aging Interval:	1096 - 1460 days	(04/01/2022 - 03/31/2023)	16 Maturities	7,136,629.97	0.42%	15,819,074.41	15,819,074.41
Aging Interval:	1461 days and after	(04/01/2023 -)	7 Maturities	3,515,000.00	0.21%	3,447,932.29	3,447,932.29
			Total for 158 Investments	1,683,748,933.94	100.00	1,674,993,180.22	1,672,221,350.10



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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 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 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 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 an S&P Global Ratings' rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 APPENDIX F 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.