PRELIMINARY OFFICIAL STATEMENT DATED MAY 30, 2019

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

NEW ISSUE FULL BOOK-ENTRY | **RATING**
S&P: "SP-1+"
(See "RATING" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Notes.

$10,000,000*
SANTA BARBARA UNIFIED SCHOOL DISTRICT
(Santa Barbara County, California)
2019-20 Tax and Revenue Anticipation Notes

Interest Rate: _____% **Yield: _____%** **CUSIP[(1)]:**

Dated: Date of Delivery **Due: June 30, 2020**

This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire official statement to obtain information essential to making an informed investment decision. Capitalized terms used but not otherwise defined on this cover page shall have the meanings assigned in the Official Statement.

The Santa Barbara Unified School District 2019-20 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance seasonal cash flow requirements of the Santa Barbara Unified School District (the "District"), prior to the receipt of anticipated tax payments, income and other revenues thereof. The Notes will be issued in denominations of $5,000 principal amount or any integral multiple thereof and will be dated as of the date of their delivery. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District, upon maturity, at the principal trust office of U.S. Bank National Association, as the designated Paying Agent.

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in fully registered form, and when delivered will be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York, which will act as securities depository for the Notes. **Purchasers will not receive physical notes representing their ownership interest in the Notes, but will instead receive credit balances on the books of their respective nominees.** Principal and interest on the Notes will be payable when due as described under "APPENDIX E – BOOK ENTRY-ONLY SYSTEM" attached hereto.

The Notes are payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District (collectively, the "Unrestricted Revenues"). As security for the Notes, the District has pledged (i) the first Unrestricted Revenues received by the District in the month ending April 30, 2020 in an amount equal to 50% of the principal of the Notes, and (ii) the first Unrestricted Revenues received by the District in the month ending May 31, 2020 in an amount equal to 50% of the principal of and 100% of the interest due on the Notes (collectively, the "Pledged Revenues"). The Pledged Revenues shall be deposited into a repayment fund for the Notes as further described herein. The Notes shall constitute a first lien and charge on such Pledged Revenues and shall be payable therefrom.

Pursuant to State of California law and its resolution authorizing the issuance of the Notes, the District has determined that the Pledged Revenues are Unrestricted Revenues thereof available to pay the Notes. The Notes are a general obligation of the District, and, to the extent not paid from the Pledged Revenues, shall be paid from any other moneys of the District lawfully available therefor, as further described herein. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES" herein.

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation as Disclosure Counsel, and for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Notes, in book-entry form, will be available through the facilities of the Depository Trust Company in New York, New York, on or about July ___, 2019.

Morgan Stanley

The date of this Official Statement is June ___, 2019

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* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "intend," "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 their expectations, or events, conditions or circumstances on which such statements are based, occur.

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

The District maintains a website and certain social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Notes.

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Board of Education

Wendy Sims-Moten, *President*
Laura Capps, *Vice President*
Jacqueline Reid, Ph.D., *Clerk*
Kate Ford, *Member*
Rose Muños, *Member*

District Administration

Cary Matsuoka, *Superintendent*
Meg Jetté, *Assistant Superintendent, Business Services*
Laci Preston, *Director of Fiscal Services*

<u>**PROFESSIONAL SERVICES**</u>

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
San Francisco, California

Municipal Advisor

KNN Public Finance, LLC
Oakland, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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$10,000,000*
SANTA BARBARA UNIFIED SCHOOL DISTRICT
(Santa Barbara County, California)
2019-20 Tax and Revenue Anticipation Notes

INTRODUCTION

This introduction is not a summary of the 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.

General

This Official Statement, which includes the cover page, Table of Contents and Appendices thereto, provides certain information in connection with the issuance, sale and delivery by the Santa Barbara Unified School District (the "District") of $10,000,000* aggregate principal amount of the District's 2019-20 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850 *et. seq.*) of the California Government Code (the "Act") and pursuant to a resolution adopted by the Board of Education of the District on May 14, 2019 (the "Resolution").

The Notes are being issued to provide funds to meet fiscal year 2019-20 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. See "THE NOTES – Purpose of Issue" herein.

Brief descriptions of the Notes, the security and sources of payment for the Notes, and the District and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Assistant Superintendent, Business Services of the District.

The District

The District is located in Santa Barbara County (the "County"). The District is the successor agency to the Santa Barbara Secondary/High School District (the "High School District") and the Santa Barbara Elementary School District (the "Elementary School District"). The District encompasses approximately 136.4 square miles, which includes the cities of Santa Barbara and Goleta, and certain unincorporated areas, including the community of Montecito. The District currently operates 9 elementary schools, one community academy, 15 children's centers, seven after school child care centers, four junior high schools (grades 7-8), one alternative high school (grades 9-12), one continuation high school (grades 9-12) and three high schools (grades 9-12). There are also three charter schools operating within the District, one of which is affiliated with the District. For fiscal year 2019-20, enrollment in the District is projected to be 13,265 students and average daily attendance ("ADA") is projected to be 12,596 students. See "SANTA BARBARA UNIFIED SCHOOL DISTRICT" herein.

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* Preliminary, subject to change.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Mr. Cary Matsuoka is currently the Superintendent of the District. See "SANTA BARBARA UNIFIED SCHOOL DISTRICT" herein.

Security and Sources of Payment

As provided in Section 53586 of the Act, the principal amount of the Notes, together with the interest thereon, is payable from taxes, income, revenue (including but not limited to, revenue from state and federal governments), cash receipts and other moneys of the District (including moneys deposited in inactive or term deposits, but excepting moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District (collectively, "Unrestricted Revenues").

As security for the Notes, the District has pledged certain Unrestricted Revenues to the payment thereof, as further described herein. The Notes, in accordance with the Act, are general obligations of the District, and to the extent not paid from Unrestricted Revenues pledged for the payment thereof, shall be paid, with interest thereon, from any other moneys of the District legally available therefor. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES" herein.

Offering and Delivery of the Notes

The Notes are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Notes in book-entry form will be available for delivery through the facilities of the Depository Trust Company ("DTC") in New York, New York on or about July ___, 2019.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate relating to the filing of notices of certain listed events, as executed by the District as of the date of issuance and delivery of the Notes, and as may be amended from time to time in accordance with its terms. See "CONTINUING DISCLOSURE" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Notes. KNN Public Finance, LLC, Oakland, California, is acting as Municipal Advisor to the District with respect to the Notes. Stradling Yocca Carlson & Rauth, a Professional Corporation and KNN Public Finance, LLC will each receive compensation from the District contingent upon the sale and delivery of the Notes. Certain matters will be passed on for Morgan Stanley & Co. LLC (the "Underwriter") by Kutak Rock LLP, Denver, Colorado. U.S. Bank National Association, Los Angeles, California is acting as Paying Agent (defined herein) for the Notes. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the District or the Notes.

THE NOTES

Authority for Issuance

The Notes are issued pursuant to the Act and the Resolution.

Purpose of Issue

Issuance of the Notes will provide funds to meet fiscal year 2019-20 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. Borrowing is necessitated by District general fund expenditures occurring in relatively level amounts throughout the year with receipts occurring in uneven amounts. This results primarily from an uneven pattern of payments from State and federal sources, and payments of secured property taxes collected by the County, which collectively are the largest sources of District revenues. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Actual and Projected Cash Flows” and “DISTRICT FINANCIAL INFORMATION” herein. As a result, the District’s general fund cash balance is negative during parts of the fiscal year. The Notes are intended to finance such cash deficits and are an alternative to the District borrowing from the County Treasury.

General Provisions

The Notes will be dated the date of their delivery and will mature on June 30, 2020 (the “Maturity Date”). The Notes will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of $5,000 principal amount, or integral multiples thereof. Purchasers of interests in the Notes (the “Beneficial Owners”) will not receive physical notes representing their interests in the Notes, but will instead receive credit balances on the books of their respective nominees.

So long as Cede & Co. is the registered Owner of the Notes, as nominee of DTC, references herein to the “Owners” “Note Owners” or “Holders” of the Notes (other than under the caption “TAX MATTERS” and in APPENDIX B) will mean Cede & Co. and will not mean the Beneficial Owners of the Notes.

Interest on the Notes will be computed on the basis of a 360-day year of twelve, 30-day months. Payments of the principal of and interest on the Notes will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Notes. Principal of and interest on the Notes shall be payable at maturity upon presentation at the principal corporate trust office of the Paying Agent.

Redemption

The Notes are not subject to redemption prior to the Maturity Date.

Authorized Investments

Pursuant to the Resolution, the proceeds from the sale of the Notes, and Unrestricted Revenues deposited for the payment of the Notes, shall be to be invested the County’s pooled investment fund (the “County Pool”). See “APPENDIX F – SANTA BARBARA COUNTY INVESTMENT POOL” attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Notes	
Original Issue Premium	
Total Sources	

Uses of Funds

Deposit to County Treasury	
Costs of Issuance[(1)]	
Total Uses	

(1) Reflects all costs of issuance, including but not limited to the underwriting discount, financial advisory fees, rating fees, demographics and filing fees, printing costs, legal fees, the costs and fees of the Paying Agent. See also "UNDERWRITING."

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Security for the Notes

Pursuant to Section 53856 of the Act and the Resolution, the District has pledged the following to the repayment of the Notes (collectively referred to herein as the "Pledged Revenues"): (i) the first Unrestricted Revenues received by the District in the month ending April 30, 2020 in an amount equal to 50% of the principal of the Notes, and (ii) the first Unrestricted Revenues received by the District in the month ending May 31, 2020, in an amount equal to 50% of the principal of and 100% of the interest due on the Notes (each such month, a "Pledge Month"). The principal of and interest due on the Notes will constitute a first lien and charge against the Pledged Revenues.

Pledged Revenues shall be deposited by the District into the Repayment Fund (defined herein) as follows: (i) in amount equal to 50% of the principal of the Notes on the last business day of April, 2020 and (ii) in an amount equal to 50% of the principal of and 100% of the interest due on the Notes on the last business day of May, 2020. In the event that there are insufficient Pledged Revenues received by the District in each Pledge Month to permit the deposits into the Repayment Fund of the full amounts constituting the aforesaid pledge, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Available Sources of Payment" herein.

All Pledged Revenues will be deposited into a special fund held by the County Treasurer-Tax Collector (the "Treasurer") designated as the "Santa Barbara Unified School District, 2019-20 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Moneys in the Repayment Fund will be invested in authorized investments which mature not later than the Maturity Date of the Notes. See "THE NOTES – Authorized Investments" herein. After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the general fund of the District upon request of the District.

Proceeds of the Notes Conditionally Pledged

Pursuant to the Resolution, the net proceeds of the Notes shall, prior to their expenditure by the District, be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund.

Available Sources of Payment

The Notes, in accordance with the Act, are general obligations of the District, and to the extent not paid from Pledged Revenues, will be paid with interest thereon from any other moneys of the District legally available therefor. With an interest rate of _____%, the amount needed to repay the Notes and the interest thereon is $_____________. The District estimates that funds available from its general fund for payment of the Notes will be approximately $183.8 million, as indicated in following table:

ESTIMATED GENERAL FUND REVENUE
Fiscal Year 2019-20
Santa Barbara Unified School District

Sources	Amount
Principal State Apportionment	$128,058,284
State Apportionment	13,985,152
Federal	5,961,004
Other State	11,067,580
Other Local	14,716,788
Proceeds of the Notes	10,000,000*
Total	$183,788,808.00

* Preliminary, subject to change.
Source: Santa Barbara Unified School District.

In addition to the District's obligation to repay the Notes, the District has other contractual commitments that must be paid from general fund revenues. For information regarding the levels of the District's expenditure commitments for fiscal year 2019-20, see "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES — Actual and Projected Cash Flows" herein.

Limitations on Noteholder Remedies; Bankruptcy

The rights of the Owners of the Notes are subject to the limitations on legal remedies against public agencies in the State. Additionally, enforceability of the rights and remedies of the Owners of the Notes, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

As described in "THE NOTES – Authorized Investments," the District has agreed to cause to be deposited directly into the Repayment Fund the Pledged Revenues. Such Pledged Revenues, while in the Repayment Fund, may be invested with the County Pool. See "APPENDIX F – SANTA BARBARA COUNTY INVESTMENT POOL" attached hereto. In the event of a petition for the adjustment of debts of the District under Chapter 9 of the United States Bankruptcy Code, or in the event of a bankruptcy of the County, while Pledged Revenues are invested in the County Pool, a court might hold that the Owners of the Notes payable from such Pledged Revenues do not have a valid prior lien on such Pledged Revenues. In that case, unless the Owners could "trace" Pledged Revenues deposited into the County Pool, the Owners would be unsecured (rather than secured) creditors of the District. The District can make no assurance that Pledged Revenues can be so traced. As such, the filing of bankruptcy by the District could delay or impair the payment of all or a portion of the Notes. Further, the opinion of Bond Counsel as to the enforceability of the Notes is expressly qualified by a declaration of bankruptcy. See "APPENDIX B – FORM OF OPINION OF BOND COUNSEL" attached hereto.

Prohibition on County Borrowing

Pursuant to the Resolution, the District has covenanted that while the Notes are outstanding, the District will not request the Treasurer to make temporary transfers of funds in the custody thereof to meet any obligations of the District during fiscal year 2019-20 pursuant to Article XVI, Section 6 of the Constitution of the State of California or any other legal authority.

Actual and Projected Cash Flows

The District has prepared the accompanying monthly general fund cash flow statements covering fiscal years 2018-19 and 2019-20. The general fund is used to finance the ordinary operations of the District and is available for any legally authorized purpose. For fiscal year 2019-20, the District has projected a maximum cumulative cash flow deficit to occur within six months of the issuance of the Notes, and prior to the receipt of the Pledged Revenues. The anticipated deficit occurs due to the daily timing of expenditures occurring prior to the receipt of revenues for the month.

The estimates and timing of receipts and disbursements presented herein are based on certain assumptions and should not be construed as statements of fact. The cash flow projections represent the current best estimates of the District based on information available to it as of the date of the projections, including the most recent revisions to the State's funding of school districts. However, due to the uncertainties inherent in the State budgeting process, these projections are subject to change and may vary considerably from actual cash flows experienced by the District.

See also "DISTRICT FINANCIAL INFORMATION – Budget Process – Budgeting Trends" herein.

Santa Barbara Unified School District
2018-19 Cashflow (Actual/Projected)

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected	
	Jul-18	**Aug-18**	**Sep-18**	**Oct-18**	**Nov-18**	**Dec-18**	**Jan-19**	**Feb-19**	**Mar-19**	**Apr-19**	**May-19**	**Jun-19**	**Totals**
Beginning Cash	24,176,912.33	28,114,957.34	23,977,733.02	13,338,715.19	3,457,090.81	5,131,461.13	39,750,059.00	34,135,760.73	20,326,838.79	8,426,582.10	35,488,276.03	15,987,562.05	
Receipts													
Revenue Limit Sources													
Property Taxes	0.00	0.00	0.00	2,674,137.16	16,731,314.18	43,452,958.61	4,749,133.69	0.00	0.00	44,275,825.86	83,309.39	9,886,914.11	121,853,593.00
State Apportionment	645,675.00	645,675.00	1,817,643.00	1,162,215.00	1,162,215.00	1,817,642.00	1,162,215.00	919,151.00	1,545,983.00	919,151.00	919,151.00	1,562,175.00	14,278,891.00
Miscellaneous Funds	0.00	12,829.00	(1,709,185.00)	(759,638.00)	(759,638.00)	(759,638.00)	156,638.00	(914,140.00)	(1,473,645.00)	(697,878.00)	(874,894.00)	(578,140.00)	(8,357,329.00)
Federal Revenue	1,898.23	88,372.26	92,418.82	392,127.94	274,409.59	633,753.99	1,153,161.26	354,352.47	876,147.62	334,212.52	676,902.24	2,939,622.07	7,817,379.00
Other State Revenue	0.00	0.00	1,060,862.00	203,606.00	0.73	908,194.75	1,438,814.22	1,186,220.00	1,240,782.69	149,940.00	5,803,680.63	2,408,939.98	14,401,041.00
Other Local Revenue	360,464.13	509,411.37	1,305,858.09	2,251,923.37	950,569.50	946,431.20	1,050,058.51	316,598.49	1,004,815.98	1,389,233.62	580,065.45	3,713,571.29	14,379,001.00
Interfund Transfers In	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Financing Sources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Receipts/Non-Rev.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	1,008,037.36	1,256,287.63	2,567,596.91	5,924,371.47	18,358,871.00	46,999,342.55	9,710,020.68	1,862,181.96	3,194,084.29	46,370,485.00	7,188,214.71	19,933,082.45	164,372,576.00
Disbursements													
Certificated Salaries	838,405.92	945,000.19	7,023,923.11	7,007,447.15	7,087,165.45	7,036,419.60	6,992,209.55	7,077,989.71	7,019,609.75	7,058,119.83	7,417,933.96	7,689,850.84	73,194,075.06
Classified Salaries	1,283,867.76	1,382,722.50	2,468,245.54	2,448,878.75	2,641,092.28	2,523,396.74	2,442,413.58	2,554,377.03	2,455,519.85	2,448,616.20	2,646,927.69	2,920,237.63	28,216,295.55
Employee Benefits	1,565,716.66	1,109,673.04	2,643,405.01	2,618,226.32	2,686,018.44	2,668,703.71	2,634,484.38	2,657,046.33	2,631,532.20	2,640,153.81	8,271,414.84	2,941,723.26	35,068,098.00
Books, Supplies and Services	1,279,180.79	3,783,010.32	1,931,875.56	3,228,114.30	1,993,548.57	830,715.31	2,960,501.08	2,347,182.47	2,523,435.82	1,613,585.57	2,706,734.59	6,338,200.43	31,536,084.81
Capital Outlay	0.00	100,488.71	0.00	596.00	32,151.25	89,640.90	42,380.27	7,052.03	50,604.87	57,311.93	37,380.06	166,213.70	583,819.72
Other Outgo	0.00	277,983.91	24,164.87	1,052,259.79	209,007.04	203,056.00	217,212.67	6,439.23	267,535.75	513,907.56	267,535.75	(462,803.57)	2,576,299.00
Interfund Transfers Out					2,000,000.00	(1,000,000.00)		1,000,000.00				386,457.00	2,386,457.00
Other Financing Uses												139,230.00	139,230.00
Other Disbursements/Non-Exp.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Disbursements	4,967,171.13	7,598,878.67	14,091,614.09	16,355,522.31	16,648,983.03	12,351,932.26	15,289,201.53	15,650,086.80	14,948,238.24	14,331,694.90	21,347,926.89	20,119,109.29	173,700,359.14
Prior Year Transactions													
Accounts Receivable	960,690.87	2,503,929.55	847,162.60	360,905.64	(14,161.88)	(29,991.59)	(36,513.22)	(19,218.14)	(145,621.25)	18,618.42	(60,128.55)	(5,589,463.10)	(1,203,790.65)
Accounts Payable	3,063,512.09	298,562.83	(37,836.75)	(188,620.82)	21,355.77	(1,179.17)	(1,395.80)	1,798.96	481.49	(4,285.41)	(19,126.75)	(5,389,463.32)	(2,256,196.89)
Total Prior Year Transactions	(2,102,821.22)	2,205,366.72	884,999.35	549,526.46	(35,517.65)	(28,812.42)	(35,117.42)	(21,017.10)	(146,102.74)	22,903.83	(41,001.80)	(199,999.78)	1,052,406.24
Net Increase/Decrease	(6,061,954.99)	(4,137,224.32)	(10,639,017.83)	(9,881,624.38)	1,674,370.32	34,618,597.87	(5,614,298.27)	(13,808,921.94)	(11,900,256.69)	32,061,693.93	(14,200,713.98)	(386,026.62)	(8,275,376.90)
TRAN Receipts*	10,000,000.00												10,000,000.00
TRAN Disbursements*										5,000,000.00	5,300,000.00		10,300,000.00
Ending Cash	28,114,957.34	23,977,733.02	13,338,715.19	3,457,090.81	5,131,461.13	39,750,059.00	34,135,760.73	20,326,838.79	8,426,582.10	35,488,276.03	15,987,562.05	15,601,535.43	

* Reflects payment of principal and interest on the District's 2018 Notes (as defined herein).

Source: Santa Barbara Unified School District

Santa Barbara Unified School District
2019-20 Cashflow (Projected)

	Projected Jul-19	Projected Aug-19	Projected Sep-19	Projected Oct-19	Projected Nov-19	Projected Dec-19	Projected Jan-20	Projected Feb-20	Projected Mar-20	Projected Apr-20	Projected May-20	Projected Jun-20	Totals
Beginning Cash	15,601,535.43	20,594,680.54	14,859,694.54	8,222,224.10	104,509.71	4,775,884.81	39,163,669.36	31,753,802.73	18,780,026.66	6,671,457.30	35,154,112.64	8,351,776.30	
Receipts													
Revenue Limit Sources													
Property Taxes	0.00	0.00	754,041.40	4,793,578.77	18,068,338.09	44,550,226.49	3,450,657.00	0.00	56,377.45	46,981,787.79	106,088.50	9,297,188.51	128,058,284.00
State Apportionment	572,154.90	572,154.90	1,665,392.32	1,029,878.82	1,029,878.82	1,665,392.32	1,029,878.82	1,029,878.82	1,665,392.32	1,029,878.82	1,029,878.82	1,665,392.32	13,985,152.00
Miscellaneous Funds	0.00	12,829.00	(1,709,185.00)	(759,638.00)	(759,638.00)	(759,638.00)	156,638.00	(914,140.00)	(1,473,645.00)	(833,009.00)	(874,894.00)	(578,140.00)	(8,492,460.00)
Federal Revenue	1,898.23	88,372.26	92,418.82	392,127.94	274,409.59	633,753.99	1,153,161.26	354,352.47	876,147.62	334,212.52	676,902.24	1,083,247.07	5,961,004.00
Other State Revenue	0.00	0.00	1,060,862.00	203,606.00	0.73	908,194.75	1,438,814.22	1,186,220.00	1,240,782.69	149,940.00	2,470,219.63	2,408,939.98	11,067,580.00
Other Local Revenue	360,464.13	509,411.37	1,305,858.09	2,251,923.37	950,569.50	946,431.20	1,050,058.51	316,598.49	1,004,815.98	1,389,233.62	917,852.45	3,713,571.29	14,716,788.00
Interfund Transfers In	0.00	0.00	3,300,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(3,300,000.00)	0.00	0.00
Other Financing Sources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Receipts/Non-Rev.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	934,517.26	1,182,767.53	6,469,387.63	7,911,476.90	19,563,558.73	47,944,360.75	8,279,207.81	1,972,909.78	3,369,871.06	49,052,043.75	1,026,047.64	17,590,199.17	165,296,348.00
Disbursements													
Certificated Salaries	1,060,459.13	994,444.38	6,876,168.23	7,045,436.03	7,209,473.96	7,125,744.08	7,225,587.40	7,206,725.58	7,188,941.11	7,748,695.96	7,582,104.95	7,898,457.19	75,162,238.00
Classified Salaries	1,387,513.96	1,457,260.21	2,485,688.30	2,552,899.59	2,678,668.64	2,575,008.77	2,515,038.95	2,632,744.13	2,584,612.47	2,948,065.48	2,737,159.07	2,700,429.43	29,255,089.00
Employee Benefits	1,216,325.51	1,502,458.54	2,673,960.46	2,699,412.04	2,733,816.52	2,703,598.72	2,693,236.65	2,725,525.31	2,717,207.66	2,710,725.74	9,156,467.75	3,063,665.10	36,596,400.00
Books, Supplies and Services	1,279,180.79	3,783,010.32	1,931,875.56	3,228,114.30	1,993,548.57	830,715.31	2,960,501.08	2,347,182.47	2,523,435.82	1,613,585.57	2,706,734.59	6,586,347.62	31,784,232.00
Capital Outlay	0.00	100,488.71	0.00	596.00	32,151.25	89,640.90	42,380.27	7,052.03	50,604.87	57,311.93	37,380.06	20,135.98	437,742.00
Other Outgo	0.00	277,983.91	24,164.87	1,052,259.79	209,007.04	203,056.00	217,212.67	6,439.23	267,535.75	513,907.56	267,535.75	(626,761.57)	2,412,341.00
Interfund Transfers Out												386,457.00	386,457.00
Other Financing Uses												139,230.00	139,230.00
Other Disbursements/Non-Exp.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Disbursements	4,943,479.39	8,115,646.07	13,991,857.42	16,578,717.75	14,856,665.98	13,527,763.78	15,653,957.02	14,925,668.75	15,332,337.68	15,592,292.24	22,487,382.17	20,167,960.75	176,173,729.00
Prior Year Transactions													
Accounts Receivable	2,235,785.24	3,353,677.86	847,162.60	360,905.64	(14,161.88)	(29,991.59)	(36,513.22)	(19,218.14)	(145,621.25)	18,618.42	(60,128.55)	(4,995,612.30)	1,514,902.83
Accounts Payable	3,233,677.99	2,155,785.33	(37,836.75)	(188,620.82)	21,355.77	(1,179.17)	(1,395.80)	1,798.96	481.49	(4,285.41)	(19,126.75)	(5,421,367.72)	(260,712.89)
Total Prior Year Transactions	(997,892.75)	1,197,892.53	884,999.35	549,526.46	(35,517.65)	(28,812.42)	(35,117.42)	(21,017.10)	(146,102.74)	22,903.83	(41,001.80)	425,755.42	1,775,615.72
Net Increase/Decrease	(5,006,854.88)	(5,734,986.01)	(6,637,470.44)	(8,117,714.39)	4,671,375.10	34,387,784.55	(7,409,866.63)	(12,973,776.07)	(12,108,569.36)	33,482,655.34	(21,502,336.33)	(2,152,006.16)	(9,101,765.28)
TRAN Receipts*	10,000,000.00												10,000,000.00
TRAN Disbursements*										5,000,000.00	5,300,000.00		10,300,000.00
Ending Cash	20,594,680.54	14,859,694.54	8,222,224.10	104,509.71	4,775,884.81	39,163,669.36	31,753,802.73	18,780,026.66	6,671,457.30	35,154,112.64	8,351,776.30	6,199,770.14	

* Preliminary, subject to change.
Source: Santa Barbara Unified School District.

Alternate Cash Resources

The following table shows projected ending cash balances from certain other funds of the District outside the general fund. The District may borrow from these funds to supplement general fund cash flows.

ALTERNATE CASH RESOURCES
Fiscal Year 2019-20

Fund	Projected Cash Balance As of 6/30/2019	Projected Cash Balance As of 6/30/2020
Fund 17 – Special Reserve Non-Capital	$11,400,000	$11,500,000
Fund 25 – Capital Facilities	4,000,000	5,000,000
Fund 40 – Special Reserve Capital Outlay	500,000	400,000

Source: Santa Barbara Unified School District.

DISTRICT FINANCIAL INFORMATION

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans, as described below. See "— Local Control Funding Formula" herein.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State budget, established the current system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97 is the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF occurred over a period of eight fiscal years. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, the Base Grants were required to be adjusted for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs are currently subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs under the prior funding formula.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). School districts that serve EL/LI students are eligible for a supplemental grant add-on (each, a "Supplemental Grant"), equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are also eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2019-20.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Santa Barbara Unified School District
Fiscal Years 2013-14 through 2019-20

	Average Daily Attendance[1]					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment[2]	% of EL/LI Enrollment[3]
2013-14	2,593	1,763	2,983	6,136	13,476	14,209	54.08%
2014-15	2,600	1,772	2,796	6,347	13,516	14,291	52.98
2015-16	2,439	1,814	2,780	6,287	13,320	14,134	52.13
2016-17	2,346	1,763	2,847	6,138	13,095	13,842	51.78
2017-18	2,219	1,736	2,900	6,036	12,891	13,717	52.41
2018-19	2,139	1,695	2,913	5,905	12,652	13,475	53.89
2019-20[4]	2,117	1,637	2,782	6,060	12,596	13,265	54.29

Note: ADA figures are rounded to the nearest whole number.
(1) Except for fiscal year 2019-20, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Includes K-12, home and hospital, special education and community day school, but excludes charter school students and County-operated programs. An attendance month is each four-week period of instruction beginning with the first day of school for any school district.
(2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made by the California Department of Education. Excludes charter school enrollment.
(3) 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 total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Since fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students has been based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(4) Projected.
Source: Santa Barbara Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Community Funded District. Certain schools districts, known as "community funded" districts (or alternatively as "basic aid" districts), have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community funded school districts receive certain other non-LCFF State funding which is deemed to satisfy the "basic aid" requirement guaranteed by Article IX, Section 6 of the State Constitution. The implication for community funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants.

For fiscal year 2018-19, the District did not qualify as a community funded district. The District currently expects to return to community funded status in fiscal year 2019-20, and expects its local property tax receipts to exceed its total LCFF allocation by $924,563.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to cover a three-year period and be updated annually. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other Revenue Sources

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from leases and rentals, interest earnings, interagency services, developer fees, pass through tax-increment revenue, foundation revenues, and other local sources.

Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the State of California Education Code, is to be followed by all California school districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective in fiscal year 2001-02 for the District, as well as any other governmental agency with annual revenues of $100 million or more. Revenue is recorded on an accrual basis except for district property taxes which are considered revenue in the year collections are made and therefore are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the fiscal year, are reflected as adjustments to fund balance.

Financial Statements of the District

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the financial statements follows. The District's audited financial statements for the year ended June 30, 2018 are included in Appendix D hereto and should be read in their entirety.

The following table reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

AUDITED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND
Santa Barbara Unified School District
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUES					
LCFF Sources	$95,313,491	$108,633,174	$117,459,771	$120,686,173	$131,542,745
Federal Sources	7,443,775	6,770,450	6,139,640	6,347,464	6,737,778
Other State Sources	9,429,036	9,673,863	17,342,159	16,059,460	13,277,149
Other Local Sources	10,977,472	12,069,280	11,857,049	13,116,050	12,322,589
TOTAL REVENUES	123,163,774	137,146,767	152,798,619	156,209,147	163,880,261
EXPENDITURES					
Instruction	70,820,716	77,539,839	82,816,285	89,477,146	90,174,509
Instruction-related Activities:					
Supervision of instruction	6,247,175	7,154,275	7,504,703	9,299,800	10,065,312
Instructional Library, Media, and Technology	1,384,856	1,404,572	1,681,622	1,719,120	2,196,979
School Site Administration	8,940,214	9,218,310	10,316,224	10,141,456	10,535,805
Pupil services:					
Home-to-School Transportation	2,539,297	2,307,327	2,530,060	2,758,520	2,893,978
Food Services	2,931	602	33,336	46,684	40,696
All Other Pupil Services	9,251,634	9,496,754	10,814,966	10,983,854	12,306,203
Administration:					
Data Processing	2,011,928	1,856,505	3,059,290	2,591,577	2,711,924
All Other Administration	6,306,650	4,837,198	5,973,178	6,256,115	6,770,338
Plant Services	13,860,257	14,589,411	16,113,400	16,442,021	16,758,771
Facility Acquisition and Construction	385,434	106,607	209,038	213,012	476,910
Ancillary Services	1,613,815	1,611,318	1,632,706	1,647,032	1,479,784
Community Services	1,648,837	2,272,986	2,012,823	2,129,667	2,096,527
Other Outgo	35,290	--	--	--	--
Debt Service					
Principal	119,989	256,187	174,085	160,700	1,101,337
Interest and other	333,984	68,435	38,521	13,799	41,496
TOTAL EXPENDITURES	125,503,007	132,720,326	144,910,237	153,880,503	159,650,569
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,339,233)	4,426,441	7,888,382	2,328,644	4,229,692
OTHER FINANCING SOURCES (USES)					
Transfers In	2,627	213,488	--	--	--
Transfers Out	(374,680)	(463,645)	(1,476,548)	(329,561)	(325,411)
Other Sources (Uses)	376,133	--	218,064	2,019,162	--
NET FINANCING SOURCES (USES)	4,080	(250,157)	(1,258,484)	1,689,601	(325,411)
NET CHANGE IN FUND BALANCE	(2,335,153)	4,176,284	6,629,898	4,018,245	3,904,281
Fund Balance – Beginning	18,118,114	15,782,961	19,959,245	26,589,143	30,607,388
Fund Balance – Ending	$15,782,961	$19,959,245	$26,589,143	$30,607,388	$34,511,669

Source: Santa Barbara Unified School District.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will 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, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to California Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District has never had an adopted budget disapproved by the County Superintendent of Schools, pursuant to A.B. 1200. Within the past five years, the District has submitted, and the County Superintendent of Schools has accepted, positive certifications on all of its interim financial reports.

Budgeting Trends. The following tables show the District's general fund adopted budgets for fiscal years 2015-16 through 2018-19, general fund ending results for the fiscal years 2015-16 through 2017-18, and estimated actual results for fiscal year 2018-19. See also "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Actual and Projected Cashflows" herein.

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GENERAL FUND BUDGETING
Santa Barbara Unified School District
Fiscal Years 2015-16 through 2019-20

	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19	
REVENUES	**Budgeted[(1)]**	**Ending[(1)]**	**Budgeted[(1)]**	**Ending[(1)]**	**Budgeted[(1)]**	**Ending[(1)]**	**Budgeted[(2)]**	**Projected[(2)]**
LCFF Sources	$119,093,557	$117,459,771	$120,877,705	$120,686,173	$121,446,512	$131,542,745	$128,596,526	$127,877,723
Federal Sources	6,670,514	6,139,640	6,032,321	6,347,464	6,494,645	6,737,778	6,234,004	7,738,267
Other State Sources	10,730,215	17,342,159	10,043,187	16,059,460	16,201,089	13,277,149	12,371,659	13,735,121
Other Local Sources	8,437,875	11,857,049	7,891,537	13,116,050	5,365,308	12,322,589	9,004,356	14,232,852
TOTAL REVENUES	144,932,161	152,798,619	144,844,750	156,209,147	149,507,554	163,880,261	156,206,545	163,583,963
EXPENDITURES								
Certificated Salaries	65,737,512	67,663,577	67,261,561	69,340,211	72,301,638	72,893,688	74,021,671	73,546,315
Classified Salaries	24,257,418	25,414,458	24,550,466	26,198,890	26,490,920	27,154,549	28,450,916	28,456,193
Employee Benefits	20,267,088	26,118,230	22,696,721	29,917,348	33,159,299	32,172,437	34,870,601	35,412,948
Books and Supplies	6,359,262	6,269,510	9,495,209	6,777,570	7,056,907	7,076,408	6,483,699	8,974,482
Services and Operating Expenditures	22,039,244	18,975,891	23,356,081	19,713,430	20,837,560	19,997,535	22,017,089	25,822,332
Capital Outlay	310,730	1,128,469	346,456	2,508,542	374,777	829,493	456,084	449,655
Transfers of Indirect Costs	--	--	--	--	--	--	(919,627)	(898,256)
Other Outgo	(399,173)	(659,898)	(351,906)	(575,488)	(566,967)	(473,540)	223,697	3,476,940
TOTAL EXPENDITURES	138,572,081	144,910,237	147,354,588	153,880,503	159,654,134	159,650,569	165,604,130	175,240,609
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,360,080	7,888,382	(2,509,838)	2,328,644	(10,146,580)	4,229,692	(9,397,585)	(11,656,646)
OTHER FINANCING SOURCES (USES)								
Operating Transfers In	--	--	--	--	52,000	--	--	--
Operating Transfers Out	(442,054)	(1,476,548)	(1,439,782)	(329,561)	(1,456,887)	(325,411)	(1,425,411)	(2,386,457)
Other Sources (Uses) – Net	--	218,064	--	2,019,162	--	--	(87,230)	(139,230)
TOTAL OTHER FINANCING SOURCES (USES)	(442,054)	(1,258,484)	(1,439,782)	1,689,601	(1,404,887)	(325,411)	(1,512,641)	(2,525,687)
NET CHANGE IN FUND BALANCES	5,918,026	6,629,898	(3,949,620)	4,018,245	(11,551,467)	3,904,281	(10,910,226)	(14,182,333)
Beginning Balance, July 1	19,959,245	19,959,245	26,589,143	26,589,143	19,300,615	30,607,388	18,155,830[(3)]	25,279,901[(3)]
Fund Balance, June 30	$25,877,271	$26,589,143	$22,639,523	$30,607,388	$7,749,148	$34,511,669[(3)]	$7,245,604	$11,097,569

(1) From the District's Comprehensive Audited Financial Statements for fiscal years 2015-16 through 2017-18, respectively. State of California payments to STRS (defined herein) on behalf of the District are included in the Audited revenues and expenditures, but have not been included in the Budgeted revenues and expenditures.
(2) From the District's second interim financial report for fiscal year 2028-19.
(3) Variance between ending and beginning balances reflects the fact that the Special Reserve Fund for Other Than Capital Outlay Projects and the Deferred Maintenance Fund have, pursuant to GASB rules, been consolidated into the audited revenues and expenditures for prior fiscal years, but are not included in the budgeted and projected revenues and expenditures for the current fiscal year.
Source: Santa Barbara Unified School District.

State Budget Measures

The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over $4.4 billion, including a $2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the $2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of $129.8 billion and total expenditures of $127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $16.7 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of $133.3 billion and authorizes expenditures of $138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $15.9 billion, including $2.0 billion in the traditional general fund reserve, $13.8 billion in the BSA and $200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at $71.6 billion, an increase of $252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion, reflecting an increase of $1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of $789 million, on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an increase of $1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by $579 (or 5.2%) from the prior year, up to $11,640.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: $8,235 for grades K-3, $7,571 for grades 4-6, $7,796 for grades 7-8 and $9,269 for grades 9-12.

- *Low-Performing Students Block Grant* – $300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.

- *State System of Support* – An increase of $54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – $12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates $5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – $10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – $164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education, as well as $150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of $1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – $75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with $50 million earmarked for special education teachers and $25 million earmarked for bilingual and STEM teachers; and $50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Federal Funds for Academic Enrichment* – $165 million one-time federal ESSA Title IV funding for academic enrichment, with $121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – $21 million one-time and $25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.

- *Kindergarten Facilities* – $100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *Proposition 51* – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election that authorizes the sale and issuance of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. The 2018-19 Budget allocates $594 million of such bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary, and the LAO's review of, the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10% Under the

Governor's new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES– Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at $80.7 billion, reflecting an increase of $2.8 billion (or 3.6%) from the revised prior-year level. Fiscal year 2019-20 is projected to be a "Test 3" year. With respect to K-12 education, ongoing per-pupil spending is set at $12,003, reflecting an increase of $435 from the prior year.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LFCC funding to $63 billion.

- *Categorical Programs* – An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- *Pension Costs* – A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability.

- *State System of Support* – An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *Special Education* – $577 million in Proposition 98 funding (of which $186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.

- *Preschool* – $125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- *Early Education* – An increase of $750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes $500 million for improvements to early education (including $245 million for facilities, $245 million for the child care workforce, and $10 million to improve access and quality).

- *County Offices of Education* – An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

May Revision. On May 9, 2019, the Governor released his May revision (the "May Revision") to the Proposed 2019-20 Budget. The following information is drawn from the State Department of Finance's summary, and the LAO's review of, the May Revision.

For fiscal year 2018-19, the May Revision projects total general fund revenues and transfers of $138 billion and total expenditures of $143.2 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $ 20.1 billion, including $4.8 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the May Revision projects total general fund revenues and transfers of $143.8 billion and authorizes expenditures of $147 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $19.5 billion, including $1.6 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. As further described herein, the May Revision also calculates that, for the first time, the State will be obligated to make a deposit into the PSSSA, the Proposition 39 reserve established by Proposition 2. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein.

With respect to education funding, the May Revision makes additional revisions to Proposition 98 funding levels for fiscal years 2017-18 and 2018-19. Specifically, the May Revision sets the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion (including $53 billion from the State general fund), an increase of $78.4 million from the level set by the Proposed 2019-20 Budget. For fiscal year 2018-19, the May Revision sets the minimum funding guarantee at $78.1 billion (including $54.4 billion from the State general fund), an increase of $279 million from the Proposed 2019-20 Budget. These increases in funding are primarily attributable to stronger growth in State general fund revenues relative to the administration's January estimates, as well as a slight upward revision in student attendance estimates.

For fiscal year 2019-20, the May Revision sets the minimum funding guarantee at $81.1 billion (including $55.9 billion from the State general fund), an increase of $389 million from the Proposed 2019-20 Budget. Fiscal year 2019-20 is now projected to be a "Test 1" year. Although total Proposition 98 funding increases during fiscal years 2017-18 through 2019-20, the State general fund share of education funding also increases by approximately $1.1 billion, due to a decrease in projected property tax revenues over this period.

Other significant adjustments, or additional proposals, with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $70 million Proposition 98 funding in fiscal year 2018-19, as well as a decrease of $63.9 million to the funding level for fiscal year

2019-20, each relative to the Proposed 2019-20 Budget. These changes reflect adjustments to ADA and the fiscal year 2019-20 COLA that affect the LCFF calculation.

- *Proposition 98 Reserve Deposit* – The May Revision projects that a deposit to the PSSSA of $389.3 million will be required during fiscal year 2019-20 in order to comply with Proposition 2. The amount of the deposit reflects the difference between the projected "Test 1" funding level in 2019-20, and the prior year's funding level, as adjusted for growth and inflation. The amount proposed to be deposited into the PSSSA is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (as amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2 – SB 858; SB 751."

- *Categorical Programs* – A decrease of $7.4 million in Proposition 98 funding for selected categorical programs relative to the amount set in the Proposed 2019-20 Budget, reflecting a change in the COLA from 3.46% to 3.26%. The May Revision also provides an increase of $7.6 million in Proposition 98 funding for selected categorical programs, based on updated ADA estimates.

- *Pension Costs* – An increase of $150 million to the one-time, non-Proposition 98 funding provided in the Proposed 2019-20 Budget to reduce long-term STRS liabilities for K-14 school districts. As a result, employer contribution rates for fiscal year 2019-20 would be effectively reduced to 16.7%.

- *Workforce Development* - $89.8 million in one-time, non-Proposition 98 funding to provide for a teacher loan forgiveness program for newly credentialed teachers to work in high-need subject matter areas such as special education and STEM (Science, Technology, Engineering and Math). The May Revision also includes $44.8 million in one-time, non-Proposition 98 funding to provide training and resources for classroom educators, and $13.9 million in ongoing federal funding for professional learning opportunities for public K-12 administrators.

- *Special Education* – A total of $696.2 million in ongoing Proposition 98 funding for special education. This reflects a $119.2 million increase from the amount set in the Proposed 2019-20 Budget, and would be a 21% increase from the prior year.

For additional information regarding the May Revision, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions. The District cannot guarantee that any action will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict 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 over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (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% or more of the votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIIIA requires the approval of two-thirds of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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

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

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor, (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculate by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

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

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

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

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

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

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

e. School Funding Guarantee. A complex adjustment was made to the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools (also referred to as a "maintenance factor") which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected approximately \$1 billion in fiscal year 2011-12, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8,

2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

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 PSSSA, 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 ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the State Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the State 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 ADA 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 PSSSA 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.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID of the California Constitution and Propositions 98, 39, 22, 26, 30 and 55 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. The nature and impact of these measures cannot be anticipated by the District.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

General Information

The District is located in the County and is governed by a five-member Board. The District encompasses approximately 136.4 square miles, which includes the cities of Santa Barbara and Goleta, and certain unincorporated areas, including the community of Montecito. The District currently operates 9 elementary schools, one community academy, 15 children's centers, seven after school child care centers, four junior high schools (grades 7-8), one alternative high school (grades 9-12), one continuation high school (grades 9-12) and three high schools (grades 9-12). There are also three charter schools operating within the District, one of which is affiliated with the District. For fiscal year 2019-20, enrollment in the District is projected to be 13,265 students and ADA is budgeted to be 12,596 students.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Santa Barbara Unified School District, 720 Santa Barbara Drive, Santa Barbara, California 93101, Attention: Assistant Superintendent, Business Services. The District may impose a charge for copying, mailing and handling.

Administration

The District is governed by a five member Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed in the following table:

Board Member	Office	Term Expires
Wendy Sims-Moten	President	December 2020
Laura Capps	Vice President	December 2020
Jacqueline Reid, Ph.D.	Clerk	December 2020
Kate Ford	Member	December 2022
Rose Muños	Member	December 2022

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Mr. Cary Matsuoka is currently the Superintendent of the District. Brief biographies for the Superintendent and Assistant Superintendent, Business Services follow.

Cary Matsuoka, Superintendent. Mr. Cary Matsuoka was appointed Superintendent of the District effective July 1, 2016. Prior thereto, Mr. Matsuoka was Superintendent for four years at the Milpitas Unified School District and Superintendent for five years at Los Gatos-Saratoga Union High School District. Mr. Matsuoka has over 32 years of experience in public education, having served as a high school teacher, assistant principal, principal, coordinator of guidance and assessment, and then Superintendent. Mr. Matsuoka holds a Master of Arts degree in Educational Administration from San Jose State University and Bachelor of Science with Honors in Nutrition Science.

Meg Jetté, Assistant Superintendent, Business Services. Ms. Jetté has served as the Assistant Superintendent of Business Services since October of 2011. Prior thereto she served as the Director of Fiscal Services of the District for three years. Prior to her service with the District, she held the positions of Financial Advisor and Financial Service Manager at the Santa Barbara County Office of Education for five years. She received a Bachelor of Arts in photography from Brooks Institute and a Associates Degree in Accounting from Santa Barbara Community College. She currently holds a chief business official certification from the California Association of School Business Officials. She also received a business certificate from the University of California, Santa Barbara.

Charter Schools

The California Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to both independent and affiliated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements.

There are three charter schools currently operating within the District, one of which is affiliated (collectively, the "Charter Schools"). The following table shows enrollment figures for the District's Charter Schools for the past nine fiscal years, together with a projection for fiscal year 2019-20.

CHARTER SCHOOL ENROLLMENT
Santa Barbara Unified School District
Fiscal Years 2010-11 through 2019-20

Fiscal Year	Affiliated Charter School	Independent Charter Schools
2010-11	256	928
2011-12	287	929
2012-13	308	975
2013-14	307	976
2014-15	306	1,008
2015-16	300	1,000
2016-17	300	1,020
2017-18	287	1,038
2018-19	278	996
2019-20(1)	275	1,000

(1) Projected.
Source: Santa Barbara Unified School District.

The District can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from the Charter Schools, and the corresponding financial impact on the District.

Employee Relations

The District currently employs approximately 807.2 full-time equivalent ("FTE") certificated employees and 656.6 FTE classified employees. In addition, the District employs 86.7 part-time faculty and staff. District employees, except management and some part-time employees, are represented by two bargaining units as noted below.

BARGAINING UNITS
Santa Barbara Unified School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
Santa Barbara Teachers Association	731	06/30/2021
California School Employees Association (CSEA)	582	06/30/2021

Source: Santa Barbara Unified School District.

District Retirement Systems

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contribution to STRS was $7,345,860 in fiscal year 2015-16, $8,828,915 in fiscal year 2016-17, $10,674,450 in fiscal year 2017-18 and $12,208,311 in fiscal year 2018-19. The District has budgeted $13,130,039 as its contribution to STRS for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS was $3,255,732 in fiscal year 2015-16, $3,933,654 in fiscal year 2016-17, $4,614,002 in fiscal year 2017-18 and $5,780,811 in fiscal year 2018-19. The District has budgeted $6,936,878 as its contribution to PERS for fiscal year 2019-20.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2010-11 through 2017-18

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--(4)	--(4)
2014-15	73,325	56,814	16,511	--(4)	--(4)
2015-16	77,544	55,785	21,759	--(4)	--(4)
2016-17	84,416	60,865	23,551	--(4)	--(4)
2017-18(5)	92,071	64,846	27,225	--(4)	--(4)

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the "2018 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by $109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate 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, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that 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, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the 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 rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled 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. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS 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 (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2018, the District's reported shares of the net pension liabilities for STRS and PERS were $120,769,370 and $53,210,005, respectively. For more information, see "— Existing Indebtedness – Long-Term Debt" herein and "APPENDIX D –AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 – Note 13" attached hereto.

Other Post-employment Benefits

Plan Description. The District administers a single-employer defined benefit (the "Plan") that provides post-employment medical and dental insurance benefits (the "Benefits") to eligible retirees of the District and their beneficiaries. Employees are eligible for the Benefits after reaching the age of 55, and with 10 or more years of service to the District.

Retired Plan members and beneficiaries currently receiving benefits are eligible to retire upon attaining age 55 with 10 or more years of service. The District reimburses certificated and classified retirees for premium cost of medical coverage (employee only) up to a maximum of $1,000 per year until the age of 65. Retirees employed before October 7, 1982 who have twenty or more years of full-time service with the District are also reimbursed up to a maximum of $500 per year after age 65.

Management employees have the option of choosing insurance coverage under the classified selection plan or the certificated composite plan and receive the same health and welfare package as other District employees, plus a $100,000 term life insurance policy. Confidential employees have the option of choosing insurance coverage under the classified selection plan or the certificated composite plan and receive the same health and welfare package as other District employees. The Benefits will not be provided for management or confidential employees hired after May 1, 2010.

Funding Policy. Expenditures for the Benefits are recognized on a pay-as-you-go basis to cover the cost of premiums for current retirees, plus additional periodic contributions from available funds to prefund the accrued liability (as further discussed below). For fiscal year 2015-16 through 2018-19, the District contributed $1,005,219, $1,035,118, $1,078,676 and $1,110,938 to the Plan, respectively. The District has projected $1,132,669 for such expenditures in fiscal year 2019-20. The District has established an irrevocable trust (the "OPEB Trust") to begin funding its accrued liability for the Benefits and has made a deposit into the trust of approximately $1,573,801 for fiscal year 2018-19. The fund balance was $2,758,708 as of April 30, 2019.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 (each, "GASB 74" and "GASB 75") with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the Net OPEB Liability and a sensitivity analysis of the Net OPEB Liability to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total OPEB Liability, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The Fiduciary Net Position measures the value of trust assets, adjusted for payees and receivables.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District's financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. For fiscal year 2017-18, the District reported a Total OPEB Liability of $10,873,056, a Fiduciary Net Position of $0 and a Net OPEB Liability of $10,873,056. See also "APPENDIX D –AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 – Note 10" attached hereto.

Actuarial Study. The District's most recent actuarial study, dated as of July 6, 2018, calculated the District's accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a July 1, 2017 valuation date, the District's Total OPEB Liability was $10,873,056, its Fiduciary Net Position was $0 and its Net OPEB Liability was $10,873,056. The District's OPEB Trust was not yet funded as of the valuation date of the study. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District's health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately.

Medicare Premium Payment Program. The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan Defined Benefit Program ("DB Program") who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB statements No. 74 and No. 75. The District's proportionate share of the net MPP Program liability as of June 30, 2018 was $994,653.

Risk Management

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. During the fiscal year ending June 30, 2018, the District participated in the Self Insured Schools of California II ("SISC II") public entity risk pool for property and liability insurance coverage.

Workers' Compensation. For fiscal year 2018-19, the District participated in the Self-Insured Schools of California I ("SISC I") public entity risk pool. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SISC I. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits. The District has contracted with the Self-Insured Schools of California III ("SISC III") to provide employee health benefits. SISC III is a shared risk pool of local educational agencies. Rates are set through an annual process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating members.

See also APPENDIX D – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18 – Note 12" attached hereto.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, 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 public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment, plus any additional amount determined by the Treasurer. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs, a redemption fee and any other service fees deemed reasonably necessary by the County. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes, plus any other service fees deemed reasonably necessary by the County. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES" herein.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

The following table represents a 10-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year, excluding any exemptions granted after such date in each year.

ASSESSED VALUATIONS
Santa Barbara Unified School District
Fiscal Years 2009-10 through 2018-19

	Local Secured	Utility	Unsecured	Total
2009-10	$33,717,570,746	$43,970,978	$1,403,972,271	$35,165,513,995
2010-11	33,797,215,759	45,380,978	1,383,601,297	35,226,198,034
2011-12	34,246,122,760	45,530,978	1,412,072,328	35,703,726,066
2012-13	34,690,216,982	8,190,574	1,366,213,338	36,064,620,894
2013-14	36,522,072,465	8,670,574	1,369,984,396	37,900,727,435
2014-15	38,427,219,223	10,260,574	1,361,136,760	39,798,616,557
2015-16	40,392,738,947	7,254,026	1,591,368,270	41,991,361,243
2016-17	42,501,795,945	10,720,574	1,535,593,345	44,048,109,864
2017-18	44,894,107,379	10,150,884	1,579,412,625	46,483,670,888
2018-19	47,201,062,251	5,230,884	1,606,320,589	48,812,613,724

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, wildfire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. Because the District is a community-supported district, taxes lost through any reduction in assessed valuation will not be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Appeals and Reductions of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. The County Assessor may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire, or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES — Article XIIIA of the California Constitution" herein.

No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Alternative Method of Tax Apportionment - "Teeter Plan"

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuation or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuation from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

Under the Teeter Plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District's general purpose secured property tax levy and the *ad valorem* property tax levy for the District's general obligation bonds under the Teeter Plan.

Existing Indebtedness

Short-Term Debt. On July 2, 2018, the District issued $10,000,000 of its 2018-19 Tax and Revenue Anticipation Notes (the "2018 Notes") to finance then-projected cashflow deficits for fiscal year 2018-19. The 2018 Notes bear interest at a rate of 3.00%, with a yield to maturity of 1.520%. The District has pledged a portion of its 2018-19 unrestricted revenues to the payment of the 2018 Notes. The 2018 Notes mature on June 28, 2019.

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

	Balance July 1, 2017	**Accretions/ Additions**	**Deductions**	**Balance June 30, 2018**
General obligation bonds	$257,600,295	$36,904,208	$39,271,190	$255,233,313
Premium on issuance	12,013,755	4,694,803	1,719,466	14,989,092
Capital leases	2,218,822	--	1,101,337	1,117,485
Compensated absences	1,668,815	258,886	--	1,927,701
Career Technical Education	--	--	--	--
Facilities Loan	766,727	--	145,669	621,058
Supplemental Early Retirement Plan	1,026,164	--	513,082	513,082
Net Other Post-Employment Benefits				
Liability	11,833,412	603,357	569,060	11,867,709
Totals	$287,127,990	$42,461,254	$43,319,804	$286,269,440

Source: Santa Barbara Unified School District.

Capital Leases. The District has entered into an agreement to lease equipment. Such an agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. The District's liability on the lease agreement with the option to purchase is summarized below:

Fiscal Year	Lease Payments
2018-19	$1,081,275
2019-20	59,502
2020-21	11,435
Total	$1,152,212
Less: Amount representing interest	34,727
Present value of minimum lease payments	$1,117,485

Career Technical Education Facilities Loan. During fiscal year 2011-12, the District entered into an agreement with the State Allocation Board for a loan of $1,442,158 for the purpose of financing a portion of the project costs of the Multimedia Arts and Design Academy Relocation Project at Santa Barbara High School. The loan has a final maturity of July 1, 2021, with an interest rate of 2.568%. At June 30, 2018, the principal balance outstanding was $621,058. Future payments are shown in the table on the following page.

Fiscal Year	Principal	Interest	Total
2018-19	$149,410	$15,949	$165,359
2019-20	153,247	12,112	165,359
2020-21	157,182	8,176	165,359
2021-22	161,219	4,140	165,359
Total	$621,058	$40,377	$661,435

General Obligation Bonds. The District has a number of general obligation bond issuances outstanding from several voter-approved authorizations. The proceeds thereof have been used to acquire, construct and equip school sites and facilities within the District, as well as to refinance previously outstanding debt of the former Elementary School District and High School District.

General obligations bonds of the District are payable solely from *ad valorem* property taxes levied on taxable property within the District, the Improvement District or the former boundaries of the Elementary School District, as further described herein. The District's general fund is not a source of repayment for such bonds

The table on the following page summarizes the outstanding general obligation bond issuances of the District.

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Issuance	Initial Principal Amount	Principal Outstanding[1]	Date of Delivery
Elementary School District Bonds			
General Obligation Bonds, Election of 2010, Series A	$14,998,228.70	$11,723,604.60	5/18/2011
General Obligation Bonds, Election of 2010, Series B[2]	20,000,000.00	18,435,000.00	9/5/2013
High School District Bonds			
General Obligation Bonds, Election of 2010, Series A	15,798,210.65	11,873,663.00	5/18/2011
General Obligation Bonds, Election of 2010, Series B, Qualified School Construction Bonds	9,200,000.00	8,890,000.00	5/15/2011
General Obligation Bonds, Election of 2010, Series C[2]	14,997,217.75	14,815,082.55	6/19/2012
General Obligation Bonds, Election of 2010, Series D[2]	35,000,000.00	31,985,000.00	9/5/2013
District Bonds			
2012 General Obligation Refunding Bonds, Series A[3]	16,160,000.00	11,640,000.00	6/19/2012
2012 General Obligation Refunding Bonds, Series B[4]	11,745,000.00	8,085,000.00	6/6/2012
2014 General Obligation Refunding Bonds[3]	14,235,000.00	11,785,000.00	12/22/2014
Election of 2016 General Obligation Bonds, Series A[5]	50,000,000.00	44,940,000.00	4/11/2017
2017 General Obligation Refunding Bonds, Series A[3]	20,680,000.00	19,745,000.00	11/16/2017
2017 General Obligation Refunding Bonds, Series B[4]	12,190,000.00	11,440,000.00	11/16/2017
Election of 2016 General Obligation Bonds, Series B[5]	50,000,000.00	50,000,000.00	2/27/2019
Improvement District Bonds			
Election of 2016 General Obligation Bonds, Series A[6]	20,000,000.00	20,000,000.00	4/11/2017
Election of 2016 General Obligation Bonds, Series B[6]	20,000,000.00	20,000,000.00	2/27/2019

(1) As of May 1, 2019.
(2) Issued by the District subsequent to the unification of the Elementary School District and High School District.
(3) Refunded bonds previously issued by the High School District and payable from *ad valorem* property taxes levied within the boundaries of the District.
(4) Refunded bonds previously issued by the Elementary School District and payable solely from *ad valorem* property taxes levied within the former boundaries of the Elementary School District.
(5) Payable solely from *ad valorem* property taxes levied within the boundaries of the District.
(6) Payable solely from *ad valorem* property taxes levied within the Improvement District.

Elementary School District Bonds. The Elementary District previously issued general obligation bonds pursuant to authorizations approved by voters of the Elementary District in 1995, 1998 and 2010, as well as general obligation refunding bonds to refinance certain of its then-outstanding indebtedness. Following the unification of the Elementary School District and the High School District, the District has also issued general obligation bonds pursuant to a 2010 authorization, as well as general obligation refunding bonds to refinance prior outstanding indebtedness of the Elementary School District. The table on the following page shows the annual debt service requirements of all such outstanding bonds previously issued by the Elementary School District and the District pursuant to such authorizations. All such bonds are payable solely from *ad valorem* property taxes levied within the former boundaries of the Elementary School District. Substantially all of the bonds authorized by voters of the Elementary School District have been issued.

COMBINED GENERAL OBLIGATION BOND
DEBT SERVICE SCHEDULE
Santa Barbara Elementary School District

Year Ending August 1	2012 Refunding Bonds Series B	2010 Elementary School District Series A Bonds	2010 Elementary School District Series B Bonds	2017 Refunding Bonds Series B	Total Annual Debt Service
2019	$1,016,456.26	--	$1,403,025.00	$1,103,250.00	$3,522,731.26
2020	1,018,656.26	--	1,486,525.00	1,118,600.00	3,623,781.26
2021	1,019,656.26	--	1,582,025.00	1,142,900.00	3,744,581.26
2022	1,019,456.26	--	1,601,425.00	1,228,500.00	3,849,381.26
2023	1,015,206.26	--	1,595,675.00	1,334,500.00	3,945,381.26
2024	1,014,206.26	$1,299,551.16	1,589,112.50	304,900.00	4,207,769.92
2025	1,001,206.26	1,299,551.16	1,590,612.50	484,900.00	4,376,269.92
2026	794,506.26	1,299,551.16	1,584,862.50	775,900.00	4,454,819.92
2027	657,318.76	1,299,551.16	1,537,112.50	1,041,900.00	4,535,882.42
2028	657,981.26	1,299,551.16	1,519,362.50	1,173,400.00	4,650,294.92
2029	657,225.00	1,299,551.16	1,510,112.50	1,306,400.00	4,773,288.66
2030	--	1,299,551.16	1,380,268.76	2,061,200.00	4,741,019.92
2031	--	1,299,551.16	1,387,968.76	2,215,200.00	4,902,719.92
2032	--	4,144,551.16	1,357,181.26	--	5,501,732.42
2033	--	4,340,401.16	1,325,700.00	--	5,666,101.16
2034	--	4,548,601.16	1,292,250.00	--	5,840,851.16
2035	--	4,761,351.16	1,255,500.00	--	6,016,851.16
2036	--	4,986,217.83	1,208,000.00	--	6,194,217.83
2037	--	5,225,199.10	1,150,250.00	--	6,375,449.10
2038	--	5,473,669.80	1,002,750.00	--	6,476,419.80
2039	--	5,734,287.00	--	--	5,734,287.00
2040	--	6,007,800.00	--	--	6,007,800.00
2041	--	6,290,000.00	--	--	6,290,000.00
Total	$9,871,875.10	$61,908,487.65	$28,359,718.78	$15,291,550.00	$115,431,631.53

Source: Santa Barbara Unified School District.

High School District Bonds. The High School District previously issued general obligation bonds pursuant to authorizations approved by voters of the High School District in 2000 and 2010, as well as general obligation refunding bonds to refinance certain of its then-outstanding indebtedness. Following the unification of the Elementary School District and the High School District, the District has also issued general obligation bonds pursuant to the 2010 authorization, as well as general obligation refunding bonds to refinance prior outstanding indebtedness of the High School District. The table on the next page shows the annual debt service requirements of all such outstanding bonds previously issued by the High School District and the District pursuant to such authorizations. All such bonds are payable solely from *ad valorem* property taxes levied within the former boundaries of the High School District, which boundaries are co-terminus with those of the District. Substantially all of the bonds authorized by voters of the High School District have been issued.

COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE - THE HIGH SCHOOL DISTRICT

Santa Barbara Secondary/High School District

Year Ending August 1	2012 Refunding Bonds Series A	2014 Refunding Bonds	2010 High School District Series A Bonds	2010 High School District Series B Bonds[(1)]	2010 High School District Series C Bonds	2010 High School District Series D Bonds	2017 Refunding Bonds Series A	Total Annual Debt Service
2019	$1,323,368.76	$1,265,400.00	--	$986,674.70	$145,000.00	$2,174,012.50	$1,543,700.00	$7,438,155.96
2020	1,319,168.76	1,260,200.00	--	1,206,327.00	150,000.00	2,172,012.50	1,547,700.00	7,655,408.26
2021	1,318,768.76	1,261,200.00	--	1,408,305.46	155,000.00	2,173,762.50	1,550,950.00	7,867,986.72
2022	1,321,968.76	1,260,200.00	--	1,627,868.70	165,000.00	2,149,012.50	1,545,950.00	8,069,999.96
2023	1,318,968.76	1,262,200.00	--	1,826,617.36	178,800.00	2,139,012.50	1,549,950.00	8,275,548.62
2024	1,318,718.76	1,261,950.00	--	2,039,913.90	178,800.00	2,128,012.50	1,542,550.00	8,469,945.16
2025	1,320,968.76	1,264,450.00	--	2,236,041.46	178,800.00	2,121,012.50	1,549,150.00	8,670,422.72
2026	1,317,668.76	1,264,450.00	$235,000.00	--	1,173,800.00	3,307,762.50	1,735,400.00	9,034,081.26
2027	1,320,668.76	1,261,950.00	455,000.00	--	1,228,800.00	3,168,800.00	1,920,150.00	9,355,368.76
2028	1,318,168.76	1,256,950.00	770,000.00	--	1,286,760.00	3,151,937.50	2,112,900.00	9,896,716.26
2029	1,318,031.26	1,262,450.00	2,825,000.00	--	1,346,040.00	3,140,875.00	2,312,650.00	12,205,046.26
2030	--	1,261,750.00	4,570,000.00	--	1,407,440.00	2,955,087.50	3,743,400.00	13,937,677.50
2031	--	--	6,255,000.00	--	1,470,720.00	2,888,887.50	5,122,000.00	15,736,607.50
2032	--	--	6,534,495.30	--	1,535,640.00	2,918,862.50	--	10,988,997.80
2033	--	--	6,822,651.60	--	1,606,960.00	2,889,137.50	--	11,318,749.10
2034	--	--	7,130,472.00	--	1,678,460.00	2,850,212.50	--	11,659,144.50
2035	--	--	7,446,480.00	--	1,760,460.00	2,801,375.00	--	12,008,315.00
2036	--	--	7,780,000.00	--	1,837,210.00	2,749,237.50	--	12,366,447.50
2037	--	--	8,071,752.60	--	1,948,710.00	2,723,800.00	--	12,744,262.60
2038	--	--	8,428,450.50	--	2,035,430.10	2,663,550.00	--	13,127,430.60
2039	--	--	8,807,100.00	--	2,130,301.60	--	--	10,937,401.60
2040	--	--	9,200,000.00	--	2,228,310.15	--	--	11,428,310.15
2041	--	--	10,000,000.00	--	2,158,751.25	--	--	12,158,751.25
2042	--	--	--	--	6,862,960.00	--	--	6,862,960.00
2043	--	--	--	--	7,172,960.00	--	--	7,172,960.00
2044	--	--	--	--	7,494,640.00	--	--	7,494,640.00
2045	--	--	--	--	7,831,220.00	--	--	7,831,220.00
Total	$14,516,468.86	$15,143,150.00	$95,331,402.00	$11,331,748.58	$57,346,973.10	$53,266,362.50	$27,776,450.00	$274,712,555.04

(1) The 2010 High School District Series B Bonds were designated as "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Sections 54F and Section 6431 of the Code, as amended by the Hiring Incentives to Restore Employment Act of 2010, apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to the lesser of the (a) interest payable on such bonds on such semi-annual interest payment date or (b) the amount of interest that would have been payable on such semi-annual interest payment date if such interest were determined at a federal tax credit rate applicable to the 2010 High School District Series B Bonds (each a "QSCB Subsidy"). This table reflects gross debt service payments with respect to the 2010 High School District Series B Bonds and does not reflect the anticipated receipt of the QSCB Subsidy. The QSCB Subsidy payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the QSCB Subsidy payments by 6.2% during federal fiscal year ending September 30, 2019. In the absence of action by the U.S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect QSCB Subsidy payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board of Supervisors is empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on these bonds. The County will deposit any cash QSCB Subsidy payments received into the debt service fund for the bonds.

Source: Santa Barbara Unified School District.

District Bonds. Pursuant to an authorization obtained from voters of the District in 2016, the District has issued two series of general obligation bonds payable solely from *ad valorem* property taxes levied within the boundaries of the District. The District has $35,000,000 of unissued bonds under this authorization. The following table shows the annual debt service requirements of the District's bonds.

GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
Santa Barbara Unified School District

Year (Aug. 1)	Election of 2016 Series A Bonds	Election of 2016 Series B Bonds	Total Annual Debt Service
2019	$6,936,050.00	$871,361.94	$7,807,411.94
2020	1,947,250.00	5,436,950.00	7,384,200.00
2021	2,030,050.00	3,600,950.00	5,631,000.00
2022	2,119,250.00	1,832,950.00	3,952,200.00
2023	2,204,450.00	1,832,950.00	4,037,400.00
2024	2,300,650.00	1,832,950.00	4,133,600.00
2025	2,392,250.00	1,987,950.00	4,380,200.00
2026	2,487,250.00	2,066,750.00	4,554,000.00
2027	2,585,750.00	2,152,150.00	4,737,900.00
2028	2,692,250.00	2,230,400.00	4,922,650.00
2029	2,801,000.00	2,318,900.00	5,119,900.00
2030	2,911,500.00	2,416,900.00	5,328,400.00
2031	3,028,250.00	2,513,650.00	5,541,900.00
2032	3,150,500.00	2,608,900.00	5,759,400.00
2033	3,272,500.00	2,717,400.00	5,989,900.00
2034	3,403,750.00	2,829,000.00	6,232,750.00
2035	3,543,250.00	2,939,400.00	6,482,650.00
2036	3,685,000.00	3,053,400.00	6,738,400.00
2037	3,831,600.00	3,180,600.00	7,012,200.00
2038	3,982,800.00	3,310,200.00	7,293,000.00
2039	4,143,000.00	3,436,800.00	7,579,800.00
2040	4,306,400.00	3,580,200.00	7,886,600.00
2041	4,482,400.00	3,719,400.00	8,201,800.00
2042	--	8,529,200.00	8,529,200.00
2043	--	8,872,400.00	8,872,400.00
2044	--	9,224,800.00	9,224,800.00
Total	$74,237,150.00	$89,096,511.94	$163,333,661.94

Source: Santa Barbara Unified School District

The Improvement District. The District has formed the Santa Barbara Unified School District Elementary Schools Improvement District (the "Improvement District") pursuant to Section 15300 *et seq.* of the Education Code. Pursuant to an authorization obtained from voters within the Improvement District in 2016, the District has issued two series of bonds on behalf of the Improvement District, and following the issuance of the Improvement District Bonds, payable solely from *ad valorem* property taxes levied within boundaries of the Improvement District. The boundaries of the Improvement District are co-terminus with the former boundaries of the Elementary School District. The District has $35,000,000 of bonds left unissued pursuant to this authorization. The following table shows the annual debt service requirements of the Improvement District bonds.

GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
Santa Barbara Unified School District
School Facilities Improvement District No. 1

Year (Aug. 1)	Election of 2016 Series A Bonds	Election of 2016 Series BBonds	Total Annual Debt Service
2019	$2,860,818.76	$390,291.08	$3,251,109.84
2020	914,318.76	2,562,368.76	3,476,687.52
2021	949,368.76	2,546,368.76	3,495,737.52
2022	983,218.76	778,368.76	1,761,587.52
2023	1,020,868.76	778,368.76	1,799,237.52
2024	1,059,268.76	778,368.76	1,837,637.52
2025	1,095,668.76	778,368.76	1,874,037.52
2026	1,135,068.76	778,368.76	1,913,437.52
2027	1,172,268.76	813,368.76	1,985,637.52
2028	1,217,268.76	846,968.76	2,064,237.52
2029	1,258,768.76	889,168.76	2,147,937.52
2030	1,299,568.76	934,568.76	2,234,137.52
2031	1,348,568.76	971,318.76	2,319,887.52
2032	1,394,506.26	1,020,818.76	2,415,325.02
2033	1,442,206.26	1,067,318.76	2,509,525.02
2034	1,491,325.00	1,119,118.76	2,610,443.76
2035	1,546,500.00	1,168,318.76	2,714,818.76
2036	1,598,100.00	1,224,918.76	2,823,018.76
2037	1,655,900.00	1,283,518.76	2,939,418.76
2038	1,714,500.00	1,343,531.26	3,058,031.26
2039	1,774,750.00	1,405,075.00	3,179,825.00
2040	1,833,500.00	1,473,750.00	3,307,250.00
2041	1,900,500.00	1,535,000.00	3,435,500.00
2042	--	3,576,000.00	3,576,000.00
2043	--	3,717,500.00	3,717,500.00
2044	--	3,869,250.00	3,869,250.00
Total	$32,666,831.40	$37,650,385.02	$70,317,216.42

Source: Santa Barbara Unified School District

Statement of Direct and Overlapping Debt

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

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report 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.

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STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Santa Barbara Unified School District

2018-19 Assessed Valuation: $48,812,613,724

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 5/1/19**
Santa Barbara Community College District	88.017%	$ 51,828,810
Santa Barbara Unified School District	100.000	205,673,746[1]
Santa Barbara Unified School District School Facilities Improvement District	100.000	40,000,000[2]
Santa Barbara School District	100.000	49,683,605[2]
Goleta Union School District	100.000	12,755,000
Other School Districts	100.000	15,825,384
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$375,766,545
OVERLAPPING GENERAL FUND DEBT:		
Santa Barbara County General Fund Obligations	58.904%	$23,920,914
City of Santa Barbara Certificates of Participation	100.000	29,825,000
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$53,745,914
Less: Santa Barbara County supported obligations		1,702,326
City of Santa Barbara General Fund Obligations supported by airport revenues		29,825,000
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$22,218,588
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$14,550,000
GROSS COMBINED TOTAL DEBT		$444,062,459[3]
NET COMBINED TOTAL DEBT		$412,535,133

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($295,357,351)... 0.61%
Total Direct and Overlapping Tax and Assessment Debt...... 0.77%
Gross Combined Total Debt.. 0.91%
Net Combined Total Debt.. 0.85%

Ratios to Redevelopment Successor Agency Incremental Valuation ($4,569,058,472):
Total Overlapping Tax Increment Debt.. 0.32%

(1) Bond proceeds to be used for secondary school purposes. Includes former High School District bonds.
(2) Bond proceeds to be used for elementary school purposes
(3) Excludes the Notes, as well as enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Notes is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes to assure that interest on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The District has covenanted to comply with all such requirements.

The amount by which a Note Owner's original basis for determining loss on sale or exchange in the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Note premium, which must be amortized under Section 171 of the Code; such amortizable Note premium reduces the Note Owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Note premium may result in a Note Owner realizing a taxable gain when a Note is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Note premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of similar Notes). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Notes to the extent that it adversely affects the exclusion from gross income of interest on the Notes or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE NOTES THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE NOTES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE NOTES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE NOTES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE NOTES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE NOTES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE NOTES.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Notes for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest on the Notes is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Notes and the accrual or receipt of interest with respect to the Notes may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Notes, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Notes.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

RATING

The District received the rating of "SP-1+" on the Notes from S&P Global Ratings ("S&P"). Certain information was supplied by the District to S&P to be considered in evaluating the Notes. The ratings issued reflects only the views of S&P, and any explanation of the significance of such rating should be obtained therefrom. There is no assurance that any rating obtained will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Notes.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Notes. Notwithstanding such covenant, information relating to ratings changes on the Notes may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Notes are directed to S&P and its website, and official media outlets, for the most current ratings changes with respect to the Notes after the initial issuance thereof.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes, and the District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive or collect Unrestricted Revenues or contesting the District's ability to issue and retire the Notes.

LEGAL OPINION

Bond Counsel will render a final approving opinion with respect to the Notes substantially in the form attached as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Notes.

ENHANCED INFORMATION REPORTING REQUIREMENTS

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (the "TIPRA"). Under Section 6049 of the Code, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any Owner who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

AVAILABILITY OF INFORMATION

Copies of the Resolution are available, upon written request, from the District.

This Official Statement contains financial data taken or constructed from the official records of the District. Such data has been reviewed by an authorized representative of the District acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

UNDERWRITING

The Notes are being purchased for reoffering by Morgan Stanley & Co. LLC (the "Underwriter"). The Underwriter has agreed, pursuant to the purchase contract by and between the District and the Underwriter (the "Note Purchase Contract"), to purchase the Notes at a price of $_____________ (representing the principal amount of the Notes of $_____________, plus original issue premium of $_____________, and less the Underwriter's discount of $_____________). The Note Purchase Contract provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Contract.

The Underwriter may offer and sell Notes to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

The Underwriter has provided the following information for inclusion in this Official Statement. The District makes no representation regarding the accuracy or materiality of such information.

Morgan Stanley & Co. LLC, an Underwriter of the Notes, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Notes.

USE OF FINANCIAL STATEMENTS

The financial statements of the District, with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the report dated December 7, 2018 of Vavrinek Trine Day & Co., LLP, independent accountants (the "Auditor"), are included in this Official Statement as Appendix D. In connection with the inclusion of the excerpts described above and the report of the Auditor thereon in Appendix D to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

Current Undertakings. The District will covenant for the benefit of the holders and Beneficial Owners of the Notes to provide notices of the occurrence of certain listed events. The notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the notices of material events is contained in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). In connection with the issuance of other debt obligations, the District has also covenanted to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year, and to provide notices of the occurrence of certain enumerated events.

Prior Undertakings. Within the past five years, the District has not failed to file annual reports and notices of certain events as required by its prior continuing disclosure undertakings pursuant to the Rule.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents 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 Notes.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

By:____

Cary Matsuoka
Superintendent

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APPENDIX A

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF GOLETA, THE CITY OF SANTA BARBARA AND SANTA BARBARA COUNTY, CALIFORNIA

The following information regarding the City of Goleta, the City of Santa Barbara (the "Cities") and Santa Barbara County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the County. This material has been prepared by or excerpted from the sources noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

The City of Goleta. The City of Goleta was incorporated in 2002 and it is a General Law City with a Council–Manager form of government. The City Council consists of five members who are elected at large to staggered four-year terms. The Mayor and Mayor Pro Tempore are selected by the Council from among its members to serve one-year terms. Approximately 90 miles from Los Angeles, Goleta is adjacent to the City of Santa Barbara and encompasses approximately 8 square miles. Its main economic activity is in the form of educational services, intellectual services, tourism, retail and manufacturing.

The City of Santa Barbara. The City of Santa Barbara was incorporated in 1850 and is a Charter City. The city charter can only be adopted, amended or repealed by a majority citizen vote, and acts like a constitution for the city. The government is headed by the City Council, composed of a Mayor and six Council Members, each elected to four-year staggered terms of office. Located between the Santa Ynez Mountains and the Pacific Ocean, with miles of beaches, a rich heritage and fine year-round weather, it is a globally recognized tourist destination. As such, its second and third largest revenue streams are derived from lodging and retail establishments, which, combined with other tax revenues, make up almost 70% of the total city General Fund.

Santa Barbara County. One of the original 27 California counties, Santa Barbara County was incorporated in 1850. Policymaking and legislative authority is vested in the elected supervisors from each of five districts who make up the County Board. Each supervisor serves a four-year staggered term. Located approximately 300 miles south of San Francisco and 100 miles north of Los Angeles, the County's largest employment categories include services, wholesale and retail trade, public administration and manufacturing. Spanning over 2,700 square miles, the County is also a picturesque tourist and recreational area.

Population

The following table shows historical population figures for the Cities, the County and the State of California for the past 10 years.

POPULATION ESTIMATES
2010 through 2019
City of Goleta, City of Santa Barbara, Santa Barbara County and the State of California

Year[1]	City of Goleta	City of Santa Barbara	Santa Barbara County	State of California
2010[2]	29,888	88,410	423,895	37,253,956
2011	29,876	88,904	425,140	37,594,781
2012	29,929	89,623	429,243	37,971,427
2013	30,041	91,137	434,020	38,321,459
2014	30,536	91,766	439,004	38,622,301
2015	31,182	92,376	443,312	38,952,462
2016	31,537	92,902	447,227	39,214,803
2017	31,902	92,973	449,823	39,504,609
2018	32,179	93,299	452,747	39,740,508
2019	32,759	93,532	454,593	39,927,315

(1) As of January 1.
(2) As of April 1.
Source: California Department of Finance.

Income

The following table shows the per capita personal income for the County, the State of California and the United States for the past 10 years of data that is currently available.

PER CAPITA PERSONAL INCOME
2008 through 2017
Santa Barbara County, the State of California, and the United States

Year	Santa Barbara County	State of California	United States
2008	$45,742	$43,895	$40,904
2009	44,231	42,050	39,284
2010	45,580	43,609	40,545
2011	48,846	46,145	42,727
2012	51,133	48,751	44,582
2013	50,595	49,173	44,826
2014	53,625	52,237	47,025
2015	57,168	55,679	48,940
2016	57,034	57,497	49,831
2017	59,460	59,796	51,640

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2014 through 2018 for the Cities, the County, the State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2014 through 2018[(1)]
City of Goleta, City of Santa Barbara, Santa Barbara County and the State of California

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (%)
2014	City of Goleta	17,200	16,500	600	3.6
	City of Santa Barbara	51,100	48,700	2,500	4.9
	Santa Barbara County	217,800	204,500	13,300	6.1
	State of California	18,714,700	17,310,900	1,403,800	7.5
2015	City of Goleta	17,100	16,600	500	3.1
	City of Santa Barbara	51,000	48,900	2,200	4.2
	Santa Barbara County	217,300	205,800	11,500	5.3
	State of California	18,851,100	17,681,800	1,169,200	6.2
2016	City of Goleta	16,900	16,400	600	3.4
	City of Santa Barbara	50,200	48,400	1,700	3.4
	Santa Barbara County	215,400	204,500	10,900	5.1
	State of California	19,044,500	18,002,800	1,041,700	5.5
2017	City of Goleta	17,000	16,500	500	3.0
	City of Santa Barbara	50,100	48,600	1,500	3.0
	Santa Barbara County	215,500	205,700	9,700	4.5
	State of California	19,205,300	18,285,500	919,800	4.8
2018	City of Goleta	17,100	16,700	400	2.4
	City of Santa Barbara	50,500	49,200	1,300	2.6
	Santa Barbara County	216,700	208,300	8,400	3.9
	State of California	19,398,200	18,582,800	815,400	4.2

(1) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2019 Benchmark.

Industry

The County is included in the Santa Maria-Santa Barbara Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the last 5 years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2014 through 2018
Santa Barbara County (Santa Maria-Santa Barbara MSA)

	2014	2015	2016	2017	2018
Total Farm	21,000	21,000	20,900	21,700	22,900
Mining, Logging and Construction	8,700	9,000	9,100	9,200	9,800
Manufacturing	12,300	13,000	13,400	13,100	12,900
Wholesale Trade	4,600	4,700	4,700	5,000	5,200
Retail Trade	19,300	19,500	19,200	18,900	18,600
Transportation, Warehousing and Utilities	3,300	3,300	3,200	3,200	3,400
Information	4,200	4,400	4,400	4,200	4,100
Financial Activities	6,400	6,400	6,500	6,600	6,600
Professional and Business Services	22,800	22,500	21,900	22,000	22,800
Education and Health Services	25,100	25,700	26,600	27,300	27,300
Leisure and Hospitality	25,600	26,600	27,200	27,800	28,200
Other Services	5,700	5,900	6,000	6,100	6,100
Government	38,300	38,700	38,100	38,700	39,100
Total All Industries	197,300	200,400	201,200	203,700	206,900

Note: May not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

Principal Employers

The following tables show the principal employers located in the Cities and the County.

PRINCIPAL EMPLOYERS
2018
City of Goleta

Employer	Number of Employees
University of California, Santa Barbara	6,268
Sansum Clinic	1,183
Raytheon	1,150
Goleta Unified School District	700
The Ritz-Carlton	670
Yardi Systems	639
TeColote Research	570
AppFolio	550
Jordano's	546
Deckers Outdoors	544

Source: City of Goleta Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018

PRINCIPAL EMPLOYERS
2018
City of Santa Barbara

Employer	Number of Employees
University of California, Santa Barbara	4,325
County of Santa Barbara	4,213
Cottage Health System	3,606
Santa Barbara Unified School District[(1)]	1,400
Santa Barbara City College	1,193
City of Santa Barbara	1,050
Raytheon Electronic Systems	1,000
Sansum Medical Foundation Clinic	1,000
Santa Barbara County Education	875
Yardi Systems	700

(1) For updated District labor information, see "SANTA BARBRA UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement

Source: City of Santa Barbara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

PRINCIPAL EMPLOYERS
2018
Santa Barbara County

Employer	Number of Employees
University of California, Santa Barbara	4,325
County of Santa Barbara	4,213
Cottage Health Organization	3,606
Vandenberg Air Force Base	2,500
Santa Maria-Bonita School District	2,120
Chumash Casino Resort	2,000
Allan Hancock College	1,480
Santa Barbara Unified School District	1,400
Zodiac Aerospace	1,200
Santa Barbara City College	1,193

Source: County of Santa Barbara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2013 through 2017 are shown in the following tables.

ANNUAL TAXABLE SALES
2013 through 2017
City of Goleta
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	676	$584,909	1,177	$774,618
2014	673	592,929	1,168	776,527
2015	654	570,409	1,249	774,886
2016	672	565,714	1,309	782,767
2017	683	574,701	1,314	777,623

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 on are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2013 through 2017
City of Santa Barbara
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	3,023	$1,458,195	4,492	$1,786,141
2014	3,023	1,527,442	4,501	1,875,121
2015	2,872	1,530,853	4,839	1,891,549
2016	2,904	1,506,322	4,875	1,870,902
2017	2,981	1,474,031	5,023	1,839,330

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 on are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2013 through 2017
Santa Barbara County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	8,244	$4,533,338	12,708	$6,332,059
2014	8,492	4,733,311	12,989	6,613,353
2015	8,145	4,804,407	14,095	6,767,900
2016	8,398	4,856,924	14,410	6,861,202
2017	8,632	4,952,728	14,801	6,987,895

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 on are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the Cities and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
City of Goleta
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$21,075	$51,587	$10,763	$59,883	$53,679
Non-Residential	11,595	61,734	49,739	37,716	21,057
Total	$32,670	$113,321	$60,502	$97,599	$74,736
Units					
Single Family	22	4	1	23	27
Multiple Family	96	316	27	213	180
Total	118	320	28	236	207

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
City of Santa Barbara
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$38,858	$43,252	$81,857	$84,464	$60,151
Non-Residential	62,411	37,005	77,546	88,780	65,698
Total	$101,269	$80,257	$159,403	$173,244	$125,849
Units					
Single Family	23	12	20	28	37
Multiple Family	19	0	156	196	24
Total	42	12	176	224	61

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
Santa Barbara County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$204,288	$290,490	$350,587	$343,379	$441,039
Non-Residential	185,127	183,825	228,961	260,239	258,437
Total	$389,415	$474,315	$579,548	$603,618	$699,476
Units					
Single Family	307	369	377	367	704
Multiple Family	119	552	694	550	609
Total	426	921	1,071	917	1,313

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Notes, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, proposes to render its final approving opinion with respect to the Notes in substantially the following form:

______________, 2019

Members of the Board of Education
Santa Barbara Unified School District

$__________
SANTA BARBARA UNIFIED SCHOOL DISTRICT
(Santa Barbara County, California)
2019-20 Tax and Revenue Anticipation Notes

Members of the Board:

We hereby certify that we have examined certified copies of the legal proceedings and other proofs submitted pertaining to the issuance and sale of $__________ aggregate principal amount of the Santa Barbara Unified School District (the "District") (Santa Barbara County, California) 2019-20 Tax and Revenue Anticipation Notes (the "Notes"), issued by the District pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the State of California Government Code and pursuant to a resolution adopted by the Board of Education of the District (the "Resolution"). The Notes are dated the date hereof and are due and payable on June 30, 2020. Both the principal of and interest on the Notes are payable to the registered Owner thereof at maturity in lawful money of the United States of America at the principal trust office of U.S. Bank National Association, as paying agent.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under the Constitution and laws of the State of California now in force, and the Notes constitute valid and legally binding general obligations of the District. The District has pledged (i) an amount equal to fifty percent (50%) of the principal of the Notes from the first unrestricted revenues received by the District in the month ending April 30, 2020, and (ii) an amount equal to fifty percent (50%) of the principal of and one hundred percent (100%) interest due on the Notes from the first unrestricted revenues received by the District in the month ending May 31, 2020. The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be paid from such pledged revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

We are further of the opinion that based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Resolution and with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Notes, and the timely payment of certain investment earnings to the United States, interest on the Notes is not includable in the gross income of the holders of the Notes for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Notes to be included in federal gross income retroactive to the date of issuance of the Notes.

Interest on the Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals. We are of the further opinion that interest on the Notes is exempt from personal income taxes imposed by the State of California. We express no opinion regarding other income tax consequences resulting from the ownership of, or the receipt of interest on, the Notes.

The amount by which a Note owner's original basis for determining loss on sale or exchange of the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Note owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Note premium may result in a Note owner realizing a taxable gain when a Note is sold by the Note owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Note owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Notes.

It is possible that subsequent to the issuance of the Notes there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Notes or the market value of the Notes. No assurance can be given that subsequent to the issuance of the Notes such changes or interpretations will not occur

With respect to the opinions expressed herein, the rights of the holders of the Notes and the enforceability thereof are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Santa Barbara Unified School District (the "District") in connection with the issuance by the District of $______________ 2019-20 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution of the Board of Education of the District (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders of the Notes and to assist the Participating Underwriter in complying with the Rule (as defined herein).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Dissemination Agent" shall mean initially KNN Public Finance LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Holders" shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the Owner of any Note for Federal income tax purposes.

"Listed Events" shall mean any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future

"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. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 3(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the 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 District, 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 District.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 3, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. non-payment related defaults.

2. modifications to rights of Noteholders.

3. optional, contingent or unscheduled calls.

4. unless described under Section 3(a)(5) above, material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.

5. release, substitution or sale of property securing repayment of the Notes.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Notes or the change of name of such a trustee or paying agent.

8. Incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Note holders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 3(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 3(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 3(c).

SECTION 4 Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. 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.

SECTION 6. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 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 Notes, 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 Notes, 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 of the Notes.

SECTION 7. 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 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 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 Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: _____________, 2019

SANTA BARBARA UNIFIED SCHOOL DISTRICT

By:____
Authorized Officer

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2017-18

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Excellence for All

SANTA BARBARA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

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

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 74, schedule of changes in the District's total OPEB liability and related ratios on page 75, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 76, schedule of the District's proportionate share of the net pension liability on page 77, and the schedule of District contributions on page 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the Santa Barbara Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Barbara Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Barbara Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2018

Santa Barbara Unified
Every child, every chance, every day.

720 Santa Barbara Street
Santa Barbara, CA 93101
Phone: 805.963.4338
TDD: 805.966.7734
SBUnified.org

This section of Santa Barbara Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities separately. These statements include all assets of the District (including capital assets), 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 three categories of activities: governmental, proprietary, and fiduciary.

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

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

The Primary unit of the government is the Santa Barbara Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities, payroll taxes and miscellaneous deductions, and deferred payroll. The District's fiduciary activities are reported in the *Statement 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.

FINANCIAL HIGHLIGHTS

The District completed its 2017-2018 fiscal year with an operating surplus of $22,063,453 and an additional $9,231,767 in its Special Reserve Fund for Other Than Capital Outlay Projects - Fund 17. The District will continue to increase its reserve level to prepare for another possible financial crisis and to be able to fund the increase in employees' pension cost. The 2018-2019 interim projects a fund balance in the General Fund that meets the SBUSD's minimum recommended reserve requirement of three percent for the current and two subsequent years. The District is projected to teeter in and out of basic aid in 2018-2019 and 2019-2020. If the State of California backfills the loss of property taxes due to the reduction of assessed value regarding the 2017-2018 fires and debris flow, the district will most likely be in basic aid status for 2018-2019.

The district also continues to fund its Other Post-Employment Benefits obligation, which will reduce its liability.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(40.4) million for the fiscal year ended June 30, 2018. Of this amount, $(136.2) million was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2018	2017, as restated
Assets		
Current and other assets	$ 149,936,959	$ 150,024,492
Capital assets	240,867,535	227,551,925
Total Assets	**390,804,494**	**377,576,417**
Deferred Outflows of Resources	**57,377,062**	**35,051,339**
Liabilities		
Current liabilities	14,566,760	11,831,877
Long-term obligations	286,269,440	287,127,990
Net pension liability	173,979,675	154,276,805
Total Liabilities	**474,815,875**	**453,236,672**
Deferred Inflows of Resources	**13,748,399**	**9,580,743**
Net Position		
Net investment in capital assets	56,758,172	59,313,070
Restricted	39,013,297	27,969,407
Unrestricted	(136,154,187)	(137,472,136)
Total Net Position	**$ (40,382,718)**	**$ (50,189,659)**

The $(136.2) million in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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 year.

Table 2

	Governmental Activities 2018	Governmental Activities 2017
Revenues		
Program revenues:		
Charges for services	$ 2,871,975	$ 3,990,489
Operating grants and contributions	31,183,991	29,818,285
Capital grants and contributions	8,211,063	799
General revenues:		
Federal and State aid not restricted	11,963,545	13,639,543
Property taxes	143,524,151	129,709,155
Other general revenues	18,554,392	9,281,143
Total Revenues	**216,309,117**	**186,439,414**
Expenses		
Instruction-related	133,251,555	123,884,425
Pupil services	25,789,368	24,547,109
Administration	10,575,447	9,281,370
Plant services	17,600,294	17,337,035
Other	19,285,512	17,873,880
Total Expenses	**206,502,176**	**192,923,819**
Change in Net Position	**$ 9,806,941**	**$ (6,484,405)**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $206.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $143.5 million because the cost was paid by those who benefited from the programs ($2.9 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($39.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $30.5 million in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest governmental activity functions: instruction, instruction-related activities, home-to-school transportation, food services, other pupil services, administration, plant services, ancillary services, community services, interest on long-term obligations and all other functional expenditures. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$ 109,786,977	$ 101,250,184	$ 87,973,181	$ 87,444,024
Instruction-related activities	23,464,578	22,634,241	21,210,082	20,739,742
Home-to-school transportation	2,910,438	2,774,629	2,887,212	2,751,525
Food services	9,745,603	9,353,889	2,529,024	1,557,388
Other pupil services	13,133,327	12,418,591	11,013,055	10,807,539
Administration	10,575,447	9,281,370	9,569,303	8,369,252
Plant services	17,600,294	17,337,035	17,330,583	16,947,373
Ancillary services	1,486,249	1,700,635	1,382,868	1,547,294
Community services	5,449,425	5,266,536	1,247,688	1,443,249
Interest on long-term obligations	11,274,407	9,436,142	11,274,407	9,436,142
All other services	1,075,431	1,470,567	(2,182,256)	(1,929,282)
Total	**$ 206,502,176**	**$ 192,923,819**	**$ 164,235,147**	**$ 159,114,246**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $138.7 million, which is a decrease of $2.5 million from last year (Table 4).

Table 4

	Fund Balance			
	June 30, 2017	Revenues	Expenditures	June 30, 2018
General Fund	$ 30,607,388	$ 163,880,261	$ 159,975,980	$ 34,511,669
Building Fund	82,996,504	5,305,632	23,519,910	64,782,226
Bond Interest and Redemption Fund	19,925,012	54,146,316	49,845,727	24,225,601
Charter School Fund	744,687	2,929,579	3,406,273	267,993
Child Development Fund	374,145	3,616,655	3,364,611	626,189
Cafeteria Fund	1,039,568	8,850,192	9,598,209	291,551
Capital Facilities Fund	3,960,651	1,750,449	1,029,385	4,681,715
County School Facilities Fund	73,639	8,211,063	165,359	8,119,343
Special Reserve Fund For Capital Outlay Projects	1,474,543	385,453	667,192	1,192,804
Total	**$ 141,196,137**	**$ 249,075,600**	**$ 251,572,646**	**$ 138,699,091**

The primary reasons for these increases/decreases are:

- The General Fund is our principal operating fund. The fund balance in the General Fund increased by $3.9 million mainly due to one-time prior year property taxes held by the county auditor treasures' office and one-time funds not spent as planned. The district's special reserve, Fund 17, continues to increase each by $ 1-2 million each year. The capital and bond funds decreased due to facilities projects that either are in process or completed in 2017-2018.

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 on June 27, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 74.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $240.9 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $13.3 million, or 5.85 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in process	$ 24,528,364	$ 10,900,103
Buildings and improvements	211,124,719	211,153,549
Furniture and equipment	5,214,452	5,498,273
Total	**$ 240,867,535**	**$ 227,551,925**

Several capital projects are planned for the 2017-2018 year. We anticipate capital additions to be $45 million for the 2016-2017 year, which is mainly the Peabody Stadium at Santa Barbara High School. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $286.3 million in long-term obligations outstanding versus $287.1 million last year, a decrease of 0.05 percent. Those consisted of:

Table 6

	Governmental Activities	
	2018	2017, as restated
General obligation bonds - net (financed with property taxes)	$ 270,222,405	$ 269,614,050
Capitalized lease obligations	1,117,485	2,218,822
Compensated absences	1,927,701	1,668,815
Career Technical Education Facilities Loan	621,058	766,727
Supplemental Early Retirement Plan (SERP)	513,082	1,026,164
Net other postemployment benefits (OPEB) liability	11,867,709	11,833,412
Total	**$ 286,269,440**	**$ 287,127,990**

The District's general obligation bond rating continues to be "Aa2/AA-" as of November 2017. The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. In November of 2016, the Santa Barbara voters passed a General Obligation Bonds in the amount of $135 million for the unified district and $58 million for the SFID #1 for a total of $193 million. The district sold $50 million in the unified district and $20 million in the SFID still well below the statutorily imposed limit. The November of 2017, the District refunded $32 million dollars; $7 million were capital appreciation bonds that converted to capital interest bonds saving taxpayers $9.8 million over the life of the bonds.

Other obligations include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 10 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $174.0 million. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

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

The District spent $23.5 million on new construction and modernization projects which include following: completion of two multipurpose room, boiler replacements; roofing replacements; drainage improvements, design of 21st century classrooms and building exteriors.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2018 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. The District's Local Control Funding gap was based on the estimate from the state controller's office of 100 percent. The adopted budget was based on a decrease in enrollment of 327 however by the end of October the enrollment the actual decrease was 269, and was accounted for at first interim. The District reduces its federal revenues by ten percent due to the fact that the federal budget is not released until September. At first interim the actual amounts were adjusted upward an additional $1.1 million due to carryover and the final allocation.
2. Interest earnings will remain the same percent due to the averaging of the past four quarters of interest rates.
3. Developer fee collections are based on approximate new housing units to be constructed.
4. Special Education costs continue to increase. The special education and the fiscal departments continue to look for ways to control cost.

Expenditures are based on the following forecasts:

The district was closed for salary increases for 2017-2018, however the governing board approved a two percent salary increase for 2018-2019. Staff did not included a salary increase in its multi-year projections (2019-2021) however, step and column are budgeted and the increase to STRS and PERS.

	Staffing Ratio	Enrollment
Grades kindergarten through three*	25:1	2,260
Grades four through six	33:1	1,765
Grades seven through eight	30:1	3,055
Grades nine through twelve	36:1	6,392

The District has negotiated a 25:1 TK class size reduction.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Meg Jetté, Assistant Superintendent, Business Services, at Santa Barbara Unified School District, 720 Santa Barbara Street, Santa Barbara, California, or e-mail at mjette@sbunified.org.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 140,201,675
Receivables	8,871,445
Prepaid expenses	754,179
Stores inventories	109,660
Capital assets	
Land and construction in process	24,528,364
Other capital assets	339,633,417
Less: Accumulated depreciation	(123,294,246)
Total Capital Assets	240,867,535
Total Assets	390,804,494
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	3,515,729
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	2,058,705
Deferred outflows of resources related to pensions	51,802,628
Total Deferred Outflows of Resources	57,377,062
LIABILITIES	
Overdrafts	1,129,474
Accounts payable	7,884,636
Accrued interest payable	3,471,486
Unearned revenue	2,081,164
Long-term obligations:	
Current portion of long-term obligations other than pensions	12,057,652
Noncurrent portion of long-term obligations other than pensions	274,211,788
Total Long-Term Obligations	286,269,440
Aggregate net pension liability	173,979,675
Total Liabilities	474,815,875
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	13,748,399
NET POSITION	
Net investment in capital assets	56,758,172
Restricted for:	
Debt service	20,754,115
Capital projects	13,993,862
Educational programs	3,208,340
Other activities	1,056,980
Unrestricted	(136,154,187)
Total Net Position	$ (40,382,718)

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 109,786,977	$ 198,830	$ 13,403,903	$ 8,211,063	$ (87,973,181)
Instruction-related activities:					
Supervision of instruction	10,187,428	9,783	1,798,723	-	(8,378,922)
Instructional library, media, and technology	2,224,134	794	322,811	-	(1,900,529)
School site administration	11,053,016	1,169	121,216	-	(10,930,631)
Pupil services:					
Home-to-school transportation	2,910,438	-	23,226	-	(2,887,212)
Food services	9,745,603	1,250,463	5,966,116	-	(2,529,024)
All other pupil services	13,133,327	385,276	1,734,996	-	(11,013,055)
Administration:					
Data processing	2,995,420	-	99,257	-	(2,896,163)
All other administration	7,580,027	98,946	807,941	-	(6,673,140)
Plant services	17,600,294	45,561	224,150	-	(17,330,583)
Facility acquisition and construction	733,545	-	-	-	(733,545)
Ancillary services	1,486,249	23,383	79,998	-	(1,382,868)
Community services	5,449,425	121,294	4,080,443	-	(1,247,688)
Interest on long-term obligations	11,274,407	-	-	-	(11,274,407)
Other outgo	341,886	736,476	2,521,211	-	2,915,801
Total Governmental Activities	$ 206,502,176	$ 2,871,975	$ 31,183,991	$ 8,211,063	(164,235,147)

General revenues and subventions:	
Property taxes, levied for general purposes	126,802,952
Property taxes, levied for debt service	16,356,017
Taxes levied for other specific purposes	365,182
Federal and State aid not restricted to specific purposes	11,963,545
Interest and investment earnings	931,539
Miscellaneous	17,622,853
Subtotal, General Revenues	174,042,088
Change in Net Position	9,806,941
Net Position - Beginning, as restated	(50,189,659)
Net Position - Ending	$ (40,382,718)

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 33,377,717	$ 67,474,081	$ 24,144,824
Receivables	5,783,080	1,130,250	80,777
Due from other funds	211,345	-	-
Prepaid expenditures	724,179	30,000	-
Stores inventories	47,855	-	-
Total Assets	$ 40,144,176	$ 68,634,331	$ 24,225,601
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ -
Accounts payable	3,531,047	3,852,105	-
Due to other funds	139,203	-	-
Unearned revenue	1,962,257	-	-
Total Liabilities	5,632,507	3,852,105	-
Fund Balances:			
Nonspendable	772,034	30,000	-
Restricted	3,208,340	64,752,226	24,225,601
Assigned	4,207,578	-	-
Unassigned	26,323,717	-	-
Total Fund Balances	34,511,669	64,782,226	24,225,601
Total Liabilities and Fund Balances	$ 40,144,176	$ 68,634,331	$ 24,225,601

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

Non-Major Governmental Funds	Total Governmental Funds
$ 14,903,767	$ 139,900,389
1,876,238	8,870,345
139,203	350,548
-	754,179
61,805	109,660
$ 16,981,013	$ 149,985,121
$ 1,129,474	$ 1,129,474
341,692	7,724,844
211,345	350,548
118,907	2,081,164
1,801,418	11,286,030
61,805	863,839
14,908,248	107,094,415
209,542	4,417,120
-	26,323,717
15,179,595	138,699,091
$ 16,981,013	$ 149,985,121

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 138,699,091**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 364,161,781	
Accumulated depreciation is:	(123,294,246)	
Net Capital Assets		240,867,535
The District has refunded debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2018.		3,515,729
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,471,486)
An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net assets are:		142,594
Deferrred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	15,104,018	
Net change in proportionate share of net pension liability	2,358,844	
Differences between projected and actual earnings on pension plan investments	1,840,703	
Differences between expected and actual experience in the measurement of the total pension liability	2,352,913	
Changes of assumptions	30,146,150	
Total Deferred Outflows of Resources Related to Pensions		51,802,628

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

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

Deferrred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (7,799,067)	
Difference between projected and actual earnings on pension plan investments	(3,216,433)	
Differences between expected and actual experience in the measurement of the total pension liability	(2,106,417)	
Changes of assumptions	(626,482)	
Total Deferred Inflows of Resources Related to Pensions		$ (13,748,399)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits come due subsequent to measurement date.		2,058,705
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(173,979,675)
Long-term obligations at year-end consist of:		
Bonds payable	235,649,683	
Unamortized premium on general obligation bonds	14,989,092	
Capital leases obligations	1,117,485	
Compensated absences (vacations)	1,927,701	
Career Technical Education Facilities Loan	621,058	
Net other postemployment benefits (OPEB) liability	11,867,709	
Supplemental early retirement plan (SERP)	513,082	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	19,583,630	
Total Long-Term Obligations		(286,269,440)
Total Net Position - Governmental Activities		**$ (40,382,718)**

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 131,542,745	$ -	$ -
Federal sources	6,737,778	-	-
Other State sources	13,277,149	-	59,242
Other local sources	12,322,589	5,305,632	16,522,271
Total Revenues	163,880,261	5,305,632	16,581,513
EXPENDITURES			
Current			
Instruction	90,174,509	-	-
Instruction-related activities:			
Supervision of instruction	10,065,312	-	-
Instructional library, media, and technology	2,196,979	-	-
School site administration	10,535,805	-	-
Pupil services:			
Home-to-school transportation	2,893,978	-	-
Food services	40,696	-	-
All other pupil services	12,306,203	-	-
General administration:			
Data processing	2,711,924	-	-
All other general administration	6,770,338	-	-
Plant services	16,758,771	-	-
Ancillary services	1,479,784	-	-
Community services	2,096,527	-	-
Facility acquisition and construction	476,910	23,519,910	-
Debt service			
Principal	1,101,337	-	5,165,000
Interest and other	41,496	-	7,468,105
Total Expenditures	159,650,569	23,519,910	12,633,105
Excess (Deficiency) of Revenues Over Expenditures	4,229,692	(18,214,278)	3,948,408
Other Financing Sources (Uses):			
Transfers in	-	-	-
Other sources - proceeds from bond issuance	-	-	32,870,000
Other sources - premium from bond issuance	-	-	4,694,803
Transfers out	(325,411)	-	-
Other uses - payment to refunded bond escrow agent	-	-	(37,212,622)
Net Financing Sources (Uses)	(325,411)	-	352,181
NET CHANGE IN FUND BALANCES	3,904,281	(18,214,278)	4,300,589
Fund Balances - Beginning	30,607,388	82,996,504	19,925,012
Fund Balances - Ending	$ 34,511,669	$ 64,782,226	$ 24,225,601

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

Non-Major Governmental Funds	Total Governmental Funds
$ 2,273,878	$ 133,816,623
7,132,129	13,869,907
11,593,405	24,929,796
4,418,568	38,569,060
25,417,980	211,185,386
2,322,096	92,496,605
19,138	10,084,450
-	2,196,979
340,113	10,875,918
16,460	2,910,438
9,003,353	9,044,049
38,661	12,344,864
-	2,711,924
825,855	7,596,193
361,344	17,120,115
-	1,479,784
3,287,255	5,383,782
1,851,395	25,848,215
145,669	6,412,006
19,690	7,529,291
18,231,029	214,034,613
7,186,951	(2,849,227)
325,411	325,411
-	32,870,000
-	4,694,803
-	(325,411)
-	(37,212,622)
325,411	352,181
7,512,362	(2,497,046)
7,667,233	141,196,137
$ 15,179,595	$ 138,699,091

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

Total Net Change in Fund Balances - Governmental Funds		**$ (2,497,046)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 25,571,685	
Depreciation expense	(12,216,558)	
Net Expense Adjustment		13,355,127
Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds.		(39,517)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were $513,082. Vacation earned was more than the amounts paid by $258,886.		254,196
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(5,266,634)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		2,024,408
Proceeds received from general obligation refunding bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		(32,870,000)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		39,271,190
Capital lease obligations		1,101,337
Career Technical Education Facilities loan		145,669

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when debt is first issued, whereas the amounts are deferred and amortized on the Statement of Activities. This amount is the net effect of these related items:		
Premium on issuance	$ (4,694,803)	
Deferred charge on refunding	2,109,306	
Amortization of premium	1,719,466	
Amortization of deferred charge on refunding	(446,180)	
Combined Adjustment		$ (1,312,211)
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 is the result of two factors. First, accrued interest on the general obligation bonds increased by $328,954, and second, $4,034,208 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(4,363,162)
An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		3,584
Change in Net Position of Governmental Activities		**$ 9,806,941**

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 301,286
Receivables	1,100
Total Current Assets	302,386
LIABILITIES	
Current Liabilities	
Accounts payable	159,792
NET POSITION	
Restricted	$ 142,594

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
NONOPERATING REVENUES	
Interest income	$ 3,584
Change in Net Position	3,584
Total Net Position - Beginning	139,010
Total Net Position - Ending	$ 142,594

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	$ 3,126
Net Increase in Cash and Cash Equivalents	3,126
Cash and Cash Equivalents - Beginning	298,160
Cash and Cash Equivalents - Ending	$ 301,286

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

SANTA BARBARA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

		Agency Funds
ASSETS		
Deposits and investments	$	13,089,153
Stores inventories		61,777
Total Assets	$	13,150,930
LIABILITIES		
Accounts payable	$	48,097
Due to student groups		1,577,140
Due to employees		11,525,693
Total Liabilities	$	13,150,930

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Barbara Unified School District (the District) was unified July 1, 2011, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates ten elementary schools, four junior high schools, three high schools, one continuation school, one charter school, and two alternative schools.

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

Other Related Entities

Charter School The District has approved a Charter for Santa Barbara Charter School pursuant to *Education Code* Section 47605. The Charter School is operated by the District, and its financial activities are presented in the Charter School Special Revenue Fund.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in fund balance of $9,231,767.

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

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

Non-Major Governmental Funds

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

Charter School Fund This fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

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

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

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

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

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

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

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

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operated a self-insurance program for workers' compensation in previous reporting periods. The run-off claims for the program along with dental and vision activity are accounted for in the Internal Service Fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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 (ASB), deferred payroll, payroll related benefits, and voluntary payroll withholdings of District employees.

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the fiduciary funds when used.

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund Statement of Net Position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District had no related debt outstanding as of June 30, 2018. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $39,013,297 of restricted net position.

Interfund Activity

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for administration of the workers' compensation, property and liability, and health and welfare programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 140,201,675
Fiduciary funds	13,089,153
Total Deposits and Investments	$ 153,290,828

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

Cash on hand and in banks	$ 1,399,935
Cash in revolving	2,000
Investments	151,888,893
Total Deposits and Investments	$ 153,290,828

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Santa Barbara County Investment Pool. The pool purchases 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. The District maintains an investment of $151,888,893 with the Santa Barbara County Investment Pool, with an average weighted maturity of 448 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Santa Barbara County Investment Pool is not required to be rated, nor has been rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance of $1,463,243 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Investment Type	Reported Amount	Uncategorized
Santa Barbara County Treasury Investment Pool	$ 151,888,893	$ 151,888,893

NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	$ 1,377,132	$ -	$ -	$ 1,156,040	$ -	$ 2,533,172
State Government						
Categorical aid	628,059	-	-	338,416	-	966,475
Lottery	575,293	-	-	13,076	-	588,369
Special Education	625,461	-	-	45,570	-	671,031
Local Government						
Interest	206,923	255,250	80,777	50,617	1,100	594,667
Due from Charter Schools	1,748,333	-	-	-	-	1,748,333
Other Local Sources	621,879	875,000	-	272,519	-	1,769,398
Total	$ 5,783,080	$ 1,130,250	$ 80,777	$ 1,876,238	$ 1,100	$ 8,871,445

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,537,176	$ -	$ 39,517	$ 1,497,659
Construction in process	9,362,927	25,571,685	11,903,907	23,030,705
Total Capital Assets Not Being Depreciated	10,900,103	25,571,685	11,943,424	24,528,364
Capital Assets Being Depreciated				
Land improvements	19,410,308	4,177,103	22,659	23,564,752
Buildings and improvements	293,566,240	6,712,207	416,365	299,862,082
Furniture and equipment	15,191,986	1,014,597	-	16,206,583
Total Capital Assets Being Depreciated	328,168,534	11,903,907	439,024	339,633,417
Less Accumulated Depreciation				
Land improvements	4,909,403	1,094,413	22,659	5,981,157
Buildings and improvements	96,913,596	9,823,727	416,365	106,320,958
Furniture and equipment	9,693,713	1,298,418	-	10,992,131
Total Accumulated Depreciation	111,516,712	12,216,558	439,024	123,294,246
Governmental Activities Capital Assets, Net	$ 227,551,925	$ 25,259,034	$ 11,943,424	$ 240,867,535

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 9,773,246
Food services	610,828
All other pupil services	610,828
Data processing	244,331
All other general administration	366,497
Plant services	610,828
Total Depreciation Expenses Governmental Activities	$ 12,216,558

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2018, between major funds and non-major governmental funds are as follows:

	Due To		
Due From	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 211,345	$ 211,345
Non-Major Governmental Funds	139,203	-	139,203
Total	$ 139,203	$ 211,345	$ 350,548

The balance of $139,203 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from class size reduction contribution.

The balance of $211,345 due to the General Fund from the Charter School Non-Major Governmental Fund is for operating and indirect costs.

Operating Transfers

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

The General Fund transferred to the Charter School Non-Major Governmental Fund for program funding and property tax allocation.	$ 103,887
The General Fund transferred to the Cafeteria Non-Major Governmental Fund their Meals for Needy allocation.	221,524
Total	$ 325,411

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	$ 750,692	$ -	$ 164,003	$ -	$ 914,695	$ -
Supplies	255,189	4,860	154,754	-	414,803	-
Services	1,739,859	22,944	14,519	-	1,777,322	-
Construction	-	3,824,301	3,228	-	3,827,529	-
Property taxes	570,302	-	-	-	570,302	-
Vendor payables	215,005	-	5,188	159,792	379,985	48,097
Total	$ 3,531,047	$ 3,852,105	$ 341,692	$ 159,792	$ 7,884,636	$ 48,097

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 89,700	$ -	$ 89,700
State categorical aid	957,963	118,907	1,076,870
Other local	914,594	-	914,594
Total	$ 1,962,257	$ 118,907	$ 2,081,164

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 6, 2017, the District issued $10,000,000 of Tax and Revenue Anticipation Notes bearing interest at 0.87 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2018. By April 2018, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes.

Issue Date	Rate	Outstanding July 1, 2017	Additions	Payments	Outstanding June 30, 2018
July 6, 2017	0.87%	$ -	$ 10,000,000	$ 10,000,000	$ -

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 01, 2017 as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 257,600,295	$ 36,904,208	$ 39,271,190	$ 255,233,313	$ 10,345,000
Premium on issuance	12,013,755	4,694,803	1,719,466	14,989,092	-
Capital leases	2,218,822	-	1,101,337	1,117,485	1,050,160
Compensated absences	1,668,815	258,886	-	1,927,701	-
Career Technical Education Facilities Loan	766,727	-	145,669	621,058	149,410
Supplemental Early Retirement Plan (SERP)	1,026,164	-	513,082	513,082	513,082
Net other postemployment benefits (OPEB) liability	11,833,412	603,357	569,060	11,867,709	-
	$ 287,127,990	$ 42,461,254	$ 43,319,804	$ 286,269,440	$ 12,057,652

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for capital leases are paid by the General Fund. The accrued vacation will be paid by the fund for which the employee worked. Payments for the Career Technical Education Facilities Loan are made from the County School Facilities Fund. Payments for the supplemental early retirement program and net other postemployment benefits (OPEB) liability are made from the General Fund.

General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
7/18/07	8/1/24	4.00-5.00%	$ 13,265,000	$ 8,075,000	$ -	$ -	$ 8,075,000	$ -
7/18/07	8/1/28	4.00-5.00%	23,650,000	16,900,000	-	-	16,900,000	-
5/4/11	8/1/41	5.81-7.39%	14,998,229	22,319,081	-	1,436,533	5,012,886	18,742,728
5/4/11	8/1/41	6.77-10.20%	15,798,211	23,896,954	-	1,583,506	6,073,304	19,407,156
5/4/11	8/1/25	5.17-5.72%	9,200,000	9,200,000	-	-	45,000	9,155,000
6/5/12	8/1/45	2.54-12.00%	14,997,218	19,039,260	-	1,014,169	125,000	19,928,429
6/5/12	8/1/45	2.00-5.00%	16,160,000	13,255,000	-	-	795,000	12,460,000
6/14/12	8/1/29	2.00-5.00%	11,745,000	9,420,000	-	-	660,000	8,760,000
8/20/13	8/1/38	2.00-5.00%	20,000,000	19,250,000	-	-	360,000	18,890,000
8/20/13	8/1/38	2.00-5.25%	35,000,000	33,030,000	-	-	520,000	32,510,000
12/9/14	8/1/30	2.00-3.00%	14,235,000	13,215,000	-	-	705,000	12,510,000
3/21/17	8/1/41	3.75-5.00%	50,000,000	50,000,000	-	-	-	50,000,000
3/21/17	8/1/41	3.00-5.00%	20,000,000	20,000,000	-	-	-	20,000,000
11/2/17	8/1/31	2.00-5.00%	20,680,000	-	20,680,000	-	-	20,680,000
11/2/17	8/1/31	2.00-5.00%	12,190,000	-	12,190,000	-	-	12,190,000
				$ 257,600,295	$ 32,870,000	$ 4,034,208	$ 39,271,190	$ 255,233,313

2007 General Obligation Refunding Bonds, Series A

In July 2007, the District issued the 2007 General Obligation Refunding Bonds, Series A in the amount of $13,265,000. The bonds had a final maturity to occur on August 1, 2024, with rates of 4.00 percent to 5.00 percent.

On November 2, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series A in the amounts of $20,680,000. The Series A Bonds were issued for the purpose of refunding on a current basis, prior bond issuances of the High School 2007 General Obligation Refunding Bonds and on an advance basis, a portion of the High School General Obligation Bonds, Election of 2010, Series A. The refunding met the requirements of an in-substance defeasance, resulting in the 2007 General Obligation Refunding Bonds, Series A, removed as a liability from the District's financial statements.

2007 General Obligation Refunding Bonds, Series B

In July 2007, the District issued the 2007 General Obligation Refunding Bonds, Series B in the amount of $23,650,000. The bonds had a final maturity to occur on August 1, 2025, with rates of 4.00 percent to 5.00 percent.

On November 2, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series B in the amounts of $12,190,000. The Series B Bonds were issued for the purpose of refunding on a current, prior bond issuances of the Elementary School 2007 General Obligation Refunding Bonds and on an advance basis, a portion of the Elementary School General Obligation Bonds, Election of 2010, Series A. The refunding met the requirements of an in-substance defeasance, resulting in the 2007 General Obligation Refunding Bonds, Series B, removed as a liability from the District's financial statements.

2010 General Obligation Bonds, Series A

In May 2011, the District issued the 2010 General Obligation Bonds, Series A in the amount of $14,998,229. The bonds were issued as capital appreciation and convertible capital appreciation bonds, which convert to current interest bonds, with the value of the capital appreciation bonds accreting $43,467,727 and maturing to an aggregate principal debt service balance of $58,465,956. The bonds have a final maturity to occur on August 1, 2041, with interest rates ranging from 5.81 to 7.39 percent. Proceeds from the bonds were to be used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities and to pay issuance costs. At June 30, 2018, the principal balance outstanding was $18,742,728.

2010 General Obligation Bonds, Series A (Secondary)

In May 2011, the District issued the 2010 General Obligation Bonds, Series A in the amount of $15,798,211. The bonds were issued as capital appreciation bonds with the value of the capital appreciation bonds accreting $79,533,191 and maturing to an aggregate principal debt service balance of $95,331,402. The bonds have a final maturity to occur on August 1, 2041, with interest ranging from 6.77 to 10.20 percent. Proceeds from the bonds were to be used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities and to pay issuance costs. At June 30, 2018, the principal balance outstanding was $19,407,156.

2010 General Obligation Bonds, Series B (Secondary)

In May 2011, the District issued the 2010 General Obligation Bonds, Series B Bonds in the amount of $9,200,000. Proceeds from the bonds were used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities. Interest rates vary from 5.17 to 5.72 percent, and the bonds have a final maturity to occur August 1, 2025. The bonds are designated as "qualified school construction bonds." The District will be eligible to receive direct payment by the Federal government of the Federal subsidy payments. At June 30, 2018, the outstanding balance was $9,155,000.

2010 General Obligation Bonds, Series C (Secondary)

In June 2012, the District issued the 2010 General Obligation Bonds, Series C in the amount of $14,997,218 to finance the acquisition, construction, repair and equipping of high school District facilities and to pay issuance costs. The bonds were issued as capital appreciation bonds with the value of the capital appreciation bonds accreting $22,367,787 and maturing to an aggregate principal debt service balance of $35,365,000. The bonds have a final maturity to occur on August 1, 2045, with interest rates ranging from 2.54 to 12.00 percent. At June 30, 2018, the principal balance outstanding was $19,928,429 and unamortized premium were $78,128.

2012 General Obligation Refunding Bonds, Series A

In June 2012, the District issued the 2012 General Obligation Refunding Bonds, Series A in the amount of $16,160,000. The bonds have a final maturity that occurs August 1, 2045, with interest rates ranging from 2.00 to 5.00 percent. Proceeds were used to advance refund a portion of the District's outstanding 2000 General Obligation Bonds, Series B. At June 30, 2018, the principal balance outstanding on the 2012 General Obligation Refunding Bonds, Series A was $12,460,000 and unamortized premium were $1,243,232.

2012 General Obligation Refunding Bonds, Series B

In June, 2012, the District issued the 2012 General Obligation Refunding Bonds, Series B in the amount of $11,745,000. The bonds have a final maturity that occurs August 1, 2029, with interest rates ranging from 2.00 to 5.00 percent. Proceeds were used to advance refund a portion of the District's outstanding 1998 General Obligation Bonds, Series B and 2004 General Obligation Refunding Bonds, Series A. At June 30, 2018, the principal balance outstanding on the 2012 General Obligation Refunding Bonds, Series B was $8,760,000 and unamortized premium were $658,525.

2010 General Obligation Bonds, Series B

In August, 2013, the District issued the 2010 General Obligation Bonds, Series B in the amount of $20,000,000 to finance the acquisition, construction, repair and equipping of District facilities and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2038, with interest rates ranging from 2.00 to 5.00 percent. At June 30, 2018, the principal balance outstanding was $18,890,000 and unamortized premium were $360,834.

2010 General Obligation Bonds, Series D (Secondary)

In August, 2013, the District issued the 2010 General Obligation Bonds, Series D in the amount of $35,000,000 to finance the acquisition, construction, repair and equipping of high school District facilities and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2038, with interest rates ranging from 2.00 to 5.25 percent. At June 30, 2018, the principal balance outstanding was $32,510,000 and unamortized premium were $1,297,124.

2014 General Obligation Refunding Bonds

In December 2014, the District issued the 2014 General Obligation Refunding Bonds in the amount of $14,235,000. The bonds have a final maturity that occurs August 1, 2030, with interest rates ranging from 2.00 to 3.00 percent. The net proceeds of $16,079,450 from the issuance (issuance of $14,235,000 net of premium received of $1,844,450) were used to advance refund a portion of the District's outstanding 2000 General Obligation Bonds, Series C. At June 30, 2018, the principal balance outstanding was $12,510,000 and unamortized premium were $1,383,338.

2016 General Obligation Bonds, Series A

On March 21, 2017, the District issued the Election of 2016 General Obligation Bonds, Series A in the amount of $50,000,000. The bonds have a final maturity that occurs August 1, 2041, with interest rates ranging from 3.75 to 5.00 percent. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of junior high and high school classrooms, sites, and facilities in the District. At June 30, 2018, the principal balance outstanding was $50,000,000 and unamortized premium were $4,023,165.

2016 General Obligation Bonds, Series A (School Facilities Improvement District No.)

On March 21, 2017, the District issued the Election of 2016 General Obligation Bonds, Series A (School Facilities Improvement District No. 1) in the amount of $20,000,000. The bonds have a final maturity that occurs August 1, 2041, with interest rates ranging from 3.00 to 5.00 percent. The bonds were issued to finance the renovation, acquisition, construction, repair, and equipping of elementary school classrooms, sites, and facilities in the District. At June 30, 2018, the principal balance outstanding was $20,000,000 and unamortized premium were $1,417,616.

2017 General Obligation Bonds, Series A

On November 2, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series A in the amount of $20,680,000. The Series A Bonds were issued for the purpose of refunding on a current, prior bond issuances of the High School 2007 General Obligation Refunding Bonds and on an advance basis, a portion of the High School General Obligation Bonds, Election of 2010, Series A. The bonds have a final maturity date to occur on August 1, 2031 with interest rates ranging between 2.00 to 5.00 percent.

The refunding resulted in a cumulative cash flow saving of $6,511,265 over the life of the new debt and an economic gain of $5,413,371 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at a 2.17 percent. At June 30, 2018, the principal balance outstanding was $20,680,000 and unamortized premium were $3,114,453.

2017 General Obligation Bonds, Series B

On November 2, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series B in the amount of $12,190,000. The Series B Bonds were issued for the purpose of refunding on a current, prior bond issuances of the Elementary School 2007 General Obligation Refunding Bonds and on an advance basis, a portion of the Elementary School General Obligation Bonds, Election of 2010, Series A. The bonds have a final maturity date to occur on August 1, 2031 with interest rates ranging between 2.00 to 5.00 percent.

The refunding resulted in a cumulative cash flow saving of $3,352,170 over the life of the new debt and an economic gain of $2,825,376 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at a 2.17 percent. At June 30, 2018, the principal balance outstanding was $12,190,000 and unamortized premium were $1,412,677.

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2019	$ 10,339,650	$ 5,350	$ 8,443,362	$ 18,788,362
2020	12,399,612	5,388	8,251,906	20,656,906
2021	6,239,273	10,727	7,774,948	14,024,948
2022	6,928,174	16,826	7,507,894	14,452,894
2023	7,645,772	24,228	5,113,827	12,783,827
2024-2028	44,288,505	701,495	31,551,544	76,541,544
2029-2033	55,869,694	5,259,802	27,159,188	88,288,684
2034-2038	60,041,020	36,155,536	18,417,475	114,614,031
2039-2043	39,281,337	55,810,923	9,088,300	104,180,560
2044-2046	12,200,276	8,039,724	1,712,340	21,952,340
Total	$ 255,233,313	$ 106,029,999	$ 125,020,784	$ 486,284,096

Capital Leases

The District has entered into an agreement to lease equipment. Such an agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. The District's liability on lease agreement with the option to purchase is summarized below:

Balance, July 1, 2017	$ 2,314,735
Payments	1,162,523
Balance, June 30, 2018	$ 1,152,212

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payments
2019	$ 1,081,275
2020	59,502
2021	11,435
Total	1,152,212
Less:Amount Representing Interest	34,727
Present Value of Minimum Lease Payments	$ 1,117,485

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $1,927,701.

Career Technical Education Facilities Loan

During 2011-2012 fiscal year, the District entered into an agreement with the State Allocation Board for a loan of $1,442,158 for the purpose of financing a portion of the project costs of the Multimedia Arts and Design Academy Relocation Project at Santa Barbara High School. The loan has a final maturity to occur on July 1, 2021, with an interest rate of 2.568 percent. At June 30, 2018, the principal balance outstanding was $621,058.

Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 149,410	$ 15,949	$ 165,359
2020	153,247	12,112	165,359
2021	157,182	8,176	165,358
2022	161,219	4,140	165,359
Total	$ 621,058	$ 40,377	$ 661,435

Supplemental Early Retirement Plan (SERP)

The District has adopted supplemental early retirement program plans whereby certain eligible employees are provided an annuity to supplemental the retirement benefits they are entitled to through the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchase for 42 employees, and 39 employees who retired during the 2011-2012 and 2013-2014 school years, respectively, were purchased from United Pacific Life Insurance Company. At June 30, 2018, the balance remaining was $513,082.

Future payments are as follows:

Year Ending Balance	
2019	$ 513,082

Net Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 10,873,056	$ 2,058,705	$ 164,025
Medicare Premium Payment (MPP) Program	994,653	-	(129,728)
Total	$ 11,867,709	$ 2,058,705	$ 34,297

The details of each plan are as follows:

<u>District Plan</u>

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	302
Active employees	1,128
	1,430

Benefits Provided

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

The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Santa Barbara Teacher’s Association (SBTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements, as determined annually through the agreements with the District, SBTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid $2,058,705 towards benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $10,873,056 was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50	percent
Salary increases	2.00	percent, average, including inflation
Discount rate	5.00	percent
Healthcare cost trend rates: Medical Pre Medicare	8.40	percent for 2017
Healthcare cost trend rates: Medical Post Medicare	8.68	percent for 2017
Healthcare cost trend rates: Dental/Vision	5.00	percent for 2017

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

Mortality rates for certificated employees were based on the base rates in the 2017 CalSTRS valuation with projected improvement (where applicable) from the 2014 base year using 110 percent of MP-2017 ultimate projection scale (CalSTRS used MP-2016 projected improvement scale). Mortality rates for classified employees were based on the rates in the 2016 CalPERS valuation with generational future improvements from the 2008 base year using scale MP-2017 (CalPERS used improvement scale BB).

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 10,709,031
Service cost	75,005
Interest	528,352
Benefit payments	(439,332)
Net change in total OPEB liability	164,025
Balance at June 30, 2018	$ 10,873,056

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

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

Discount Rate	Total OPEB Liability
1% decrease (4.00%)	$ 12,491,254
Current discount rate (5.00%)	10,873,056
1% increase (6.00%)	9,560,359

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

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

Healthcare Cost Trend Rates: Medical Pre Medicare	Total OPEB Liability
1% decrease (7.40%)	$ 9,588,876
Current healthcare cost trend rate (8.40%)	10,873,056
1% increase (9.40%)	12,457,126

Healthcare Cost Trend Rates: Medical Post Medicare	Total OPEB Liability
1% decrease (7.68%)	$ 9,588,876
Current healthcare cost trend rate (8.68%)	10,873,056
1% increase (9.68%)	12,457,126

Healthcare Cost Trend Rates: Dental/Vision	Total OPEB Liability
1% decrease (4.00%)	$ 9,588,876
Current healthcare cost trend rate (5.00%)	10,873,056
1% increase (6.00%)	12,457,126

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $164,025. At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of $2,058,705.

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of $994,653 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.2364 percent, and 0.2402 percent, resulting in a net decrease in the proportionate share of 0.0038 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(129,728).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

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

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 1,101,150
Current discount rate (3.58%)	994,653
1% increase (4.58%)	891,062

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 898,821
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	994,653
1% increase (4.7% Part A and 5.1% Part B)	1,089,528

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Stores inventories	$ 47,855	$ -	$ -	$ 61,805	$ 109,660
Prepaid expenditures	724,179	30,000	-	-	754,179
Total Nonspendable	772,034	30,000	-	61,805	863,839
Restricted					
Legally restricted programs	3,208,340	-	-	914,386	4,122,726
Capital projects	-	64,752,226	-	13,993,862	78,746,088
Debt services	-	-	24,225,601	-	24,225,601
Total Restricted	3,208,340	64,752,226	24,225,601	14,908,248	107,094,415
Assigned					
One-time mandate funds	3,495,786	-	-	-	3,495,786
Other program balances	711,792	-	-	209,542	921,334
Total Assigned	4,207,578	-	-	209,542	4,417,120
Unassigned					
Reserve for economic uncertainties	4,892,279	-	-	-	4,892,279
Remaining unassigned	21,431,438	-	-	-	21,431,438
Total Unassigned	26,323,717	-	-	-	26,323,717
Total	$ 34,511,669	$64,782,226	$ 24,225,601	$ 15,179,595	$ 138,699,091

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year ending June 30, 2018, the District participated in the Self-Insured Schools of California II (SISC II) public entity risk pool for property and liability insurance coverage. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District participated in the Self-Insured Schools of California I (SISC I) public entity risk pool. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SISC I. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California III (SISC III) to provide employee health benefits. SISC III is a shared risk pool comprised of local educational agencies. Rates are set through an annual process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating members.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 120,769,670	$ 35,589,711	$ 12,295,299	$ 11,386,230
CalPERS	53,210,005	16,212,917	1,453,100	8,984,422
Total	$ 173,979,675	$ 51,802,628	$ 13,748,399	$ 20,370,652

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.430%	14.430%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $10,547,795.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 120,769,670
State's proportionate share of the net pension liability associated with the District	71,446,317
Total	$ 192,215,987

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1306 percent and 0.1351 percent, resulting in a net decrease in the proportionate share of 0.0045 percent.

For the year ended June 30, 2018, the District recognized pension expense of $11,386,230. In addition, the District recognized pension expense and revenue of $7,191,758 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,547,795	$ -
Net change in proportionate share of net pension liability	2,221,306	6,972,449
Differences between projected and actual earnings on pension plan investments	-	3,216,433
Differences between expected and actual experience in the measurement of the total pension liability	446,618	2,106,417
Changes of assumptions	22,373,992	-
Total	$ 35,589,711	$ 12,295,299

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (2,673,941)
2020	2,023,383
2021	291,760
2022	(2,857,635)
Total	$ (3,216,433)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,592,149
2020	2,592,149
2021	2,592,149
2022	2,592,150
2023	2,281,680
Thereafter	3,312,773
Total	$ 15,963,050

Actuarial Methods and Assumptions

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

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 177,328,217
Current discount rate (7.10%)	120,769,670
1% increase (8.10%)	74,868,577

<u>California Public Employees Retirement System (CalPERS)</u>

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $4,556,223.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $53,210,005. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.2229 percent and 0.2279 percent, resulting in a net decrease in the proportionate share of 0.0050 percent.

For the year ended June 30, 2018, the District recognized pension expense of $8,984,422. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,556,223	$ -
Net change in proportionate share of net pension liability	137,538	826,618
Differences between projected and actual earnings on pension plan investments	1,840,703	-
Differences between expected and actual experience in the measurement of the total pension liability	1,906,295	-
Changes of assumptions	7,772,158	626,482
Total	$ 16,212,917	$ 1,453,100

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (49,876)
2020	2,123,771
2021	774,776
2022	(1,007,968)
Total	$ 1,840,703

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,986,071
2020	2,880,437
2021	2,496,383
Total	$ 8,362,891

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 78,288,969
Current discount rate (7.15%)	53,210,005
1% increase (8.15%)	32,404,905

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $5,120,147 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

Construction Commitments

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

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Adams Elementary School - South Slope Repair Project	$ 8,237	12/31/18
Franklin Elementary School - Exterior Rehab Project	5,286	12/31/18
Las Flores Pre School - Building Replacement	489,472	12/31/18
McKinley Elementary School - Fire Alarm System Replacement	109,559	12/31/18
Armory Project	11,633,205	03/31/19
Cleveland Elementary School - Access Pathway Renovation	17,402	03/31/19
Dos Pueblos High School - Baseball Backstop Upgrade	34,800	03/31/19
Dos Pueblos High School - O'Leary Field Replacement	891,506	03/31/19
La Cuesta High School - Shade Structure	78,610	03/31/19
San Marcos High School - Pool Deck Replacement	763,558	03/31/19
Secondary Sites - Wireless Upgrade	12,672	03/31/19
Cleveland Elementary School - Multi Purpose Room	68,877	06/30/19
District Office - 2nd Floor Project	113,781	06/30/19
Dos Pueblos High School - Student Parking Lot Upgrade	125,790	06/30/19
Goleta Valley Junior High School - Playground Parking Pavement Renovation	6,506	06/30/19
Harding Elementary School - Multi Purpose Room	549,389	06/30/19
McKinley Elementary School - Boiler Replacement	123,060	06/30/19
Peabody Charter School - Boiler Replacement	125,432	06/30/19
Roosevelt Elementary School - Multi Purpose Room	643,684	06/30/19
San Marcos High School - ADA Restroom Upgrade	1,335,426	06/30/19
San Marcos High School - Baseball Backstop Upgrade	15,591	06/30/19
San Marcos High School - I Wing Roof Replacement	82,417	06/30/19
Santa Barbara High School - Window Replacement	329	06/30/19
Washington Elementary School - Multi Purpose Room	75,385	06/30/19
Franklin Elementary School - Furniture and Fixtures	51,828	12/31/19
Multiple Sites - Furniture and Fixtures	95,754	12/31/19
McKinley Elementary School - Hillside Stabilization	43,000	03/31/20
Dos Pueblos High School - Portable Replacement	739,040	06/30/20
Santa Barbara High School - Boiler Heating Replacement	7,206,562	06/30/20
Santa Barbara High School - Portable Replacement	2,813	06/30/20
Santa Barbara Junior High School - Boiler Replacement	223,871	06/30/20
Santa Barbara Junior High School - MP/Locker Room Replacement	306,665	06/30/20
McKinley Elementary School - Portable Replacement/Elevator	45,245	09/30/20
Santa Barbara High School - Peabody Stadium	15,488,620	09/30/20
	$ 41,513,372	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

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

During the year ended June 30, 2018, the District made payments of $1,674,734, $789,210, and $14,185,709 to the Self-Insured Schools of California I (SISC I), Self-Insured Schools of California II (SISC II), and Self-Insured Schools of California III (SISC III), respectively, for the services noted above.

NOTE 16 - SUBSEQUENT EVENTS

The District issued $10,000,000 of Tax and Revenue Anticipation Notes dated July 3, 2018. The notes mature on June 28, 2019, and yield an interest rate of 1.52 percent. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning April 2019, until 100 percent of principal and interest due is on account in May 31, 2019.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Government-Wide Financial Statements	
Net Position - Beginning	$ (36,659,654)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(13,530,005)
Net Position - Beginning as Restated	$ (50,189,659)

REQUIRED SUPPLEMENTARY INFORMATION

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 121,446,512	$ 129,524,590	$ 131,542,745	$ 2,018,155
Federal sources	6,494,645	8,238,427	6,737,778	(1,500,649)
Other State sources	16,201,089	13,121,751	13,277,149	155,398
Other local sources	5,365,308	10,866,891	12,322,589	1,455,698
Total Revenues [1]	149,507,554	161,751,659	163,880,261	2,128,602
EXPENDITURES				
Current				
Certificated salaries	72,301,638	72,749,069	72,893,688	(144,619)
Classified salaries	26,490,920	27,203,846	27,154,549	49,297
Employee benefits	33,159,299	32,348,085	32,172,437	175,648
Books and supplies	7,056,907	9,713,305	7,076,408	2,636,897
Services and operating expenditures	20,837,560	22,139,659	19,997,535	2,142,124
Capital outlay	374,777	1,185,546	829,492	356,054
Other outgo	(566,967)	(554,306)	(473,540)	(80,766)
Total Expenditures [1]	159,654,134	164,785,204	159,650,569	5,134,635
Excess (Deficiency) of Revenues Over Expenditures	(10,146,580)	(3,033,545)	4,229,692	7,263,237
Other Financing Sources (Uses)				
Transfers in	52,000	52,000	-	(52,000)
Transfers out	(1,456,887)	(3,425,411)	(325,411)	3,100,000
Net Financing Sources (Uses)	(1,404,887)	(3,373,411)	(325,411)	3,048,000
NET CHANGE IN FUND BALANCES	(11,551,467)	(6,406,956)	3,904,281	10,311,237
Fund Balances - Beginning	30,607,388	30,607,388	30,607,388	-
Fund Balances - Ending	$ 19,055,921	$ 24,200,432	$ 34,511,669	$ 10,311,237

[1] Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, has, for reporting purposes been consolidated into the General Fund, with additional revenues and expenditures pertaining to this fund included in the Actual (GAAP Basis) revenues and expenditures, however they are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	2018
Total OPEB Liability	
Service cost	$ 75,005
Interest	528,352
Benefit payments	(439,332)
Net change in total OPEB liability	164,025
Total OPEB liability - beginning	10,709,031
Total OPEB liability - ending	$ 10,873,056
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

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

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

See accompanying note to required supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.2364%
District's proportionate share of the net OPEB liability	$ 994,653
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

See accompanying note to required supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1306%	0.1351%
District's proportionate share of the net pension liability	$ 120,769,670	$ 109,257,614
State's proportionate share of the net pension liability associated with the District	71,446,317	62,198,411
Total	$ 192,215,987	$ 171,456,025
District's covered - employee payroll	$ 68,820,461	$ 66,926,589
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	175%	163%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.2229%	0.2279%
District's proportionate share of the net pension liability	$ 53,210,005	$ 45,019,191
District's covered - employee payroll	$ 27,839,991	$ 27,228,260
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	191%	165%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.1427%	0.1374%
$ 96,079,649	$ 80,277,613
50,815,543	48,475,089
$ 146,895,192	$ 128,752,702
$ 65,023,829	$ 60,683,934
148%	132%
74%	77%
0.2308%	0.2268%
$ 34,012,847	$ 25,752,220
$ 25,741,347	$ 23,687,741
132%	109%
79%	83%

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	2018	2017
CalSTRS		
Contractually required contribution	$ 10,547,795	$ 8,657,614
Contributions in relation to the contractually required contribution	(10,547,795)	(8,657,614)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 73,096,292	$ 68,820,461
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 4,556,223	$ 3,866,418
Contributions in relation to the contractually required contribution	(4,556,223)	(3,866,418)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 29,336,314	$ 27,839,991
Contributions as a percentage of covered - employee payroll	15.53%	13.89%

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

See accompanying note to required supplementary information.

	2016		2015
$	7,181,223	$	5,774,116
	(7,181,223)		(5,774,116)
$	-	$	-
$	66,926,589	$	65,023,829
	10.73%		8.88%
$	3,225,732	$	3,030,014
	(3,225,732)		(3,030,014)
$	-	$	-
$	27,228,260	$	25,741,347
	11.85%		11.77%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

Change in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Change of Assumptions – There were no changes in the benefit terms since the previous valuation.

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

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

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A - Basic Grants, Low Income and Neglected - Reallocation Funds	84.010	14981	$ 2,803,182
Title II, Part A - Supporting Effective Instruction	84.367	14341	486,440
English Language Acquisition Grants			
Title III - English Learner Student Program	84.365	14346	168,308
Title III - Immigrant Education Program	84.365	15146	6,808
Subtotal for English Language Acquisition Grants			175,116
Vocational Education Grants			
Applied Technology - Secondary Education	84.048	14894	87,953
Passed through Santa Barbara County SELPA:			
Special Education Cluster:			
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	13379	2,315,846
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	48,564
Preschool Grants, Part B, Sec 619	84.173	13430	222,028
Subtotal for Special Education Cluster			2,586,438
Passed through Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	CNTR - 29853	306,877
Total U.S. Department of Education			6,446,006
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Basic Breakfast	10.553	13525	17,026
Especially Needy Breakfast	10.553	13526	1,865,149
National School Lunch Program	10.555	13524	2,803,033
Meal Supplements	10.555	13392	158,377
Food Distribution	10.555	13524	588,311
Summer Food Program	10.559	13004	575,360
Subtotal for Child Nutrition Cluster			6,007,256
Child and Adult Care Food Program	10.558	13529	724,559
Passed through Santa Barbara County Office of Education:			
Forest Reserve	10.665	10044	16,611
Total U.S. Department of Agriculture			6,748,426
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medi-Cal Assistance Program			
Medi-Cal Billing Option	93.778	10013	228,326
Medi-Cal Administrative Activities Program	93.778	10060	188,795
Subtotal for Medi-Cal Assistance Program			417,121
Passed through CDE:			
Child Development - Federal Child Care, Center Based	93.596	13609, 15136	352,474
Total U.S. Department of Health and Human Services			769,595
Total Expenditures of Federal Awards			$ 13,964,027

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Santa Barbara Unified School District was unified July 1, 2011 and consists of an area comprising approximately 136.4 square miles. The District operates ten elementary schools, four junior high schools, three high schools, one continuation school, one charter school, and two alternative schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jacqueline Reid	President	2020
Wendy Sims-Moten	Vice President	2020
Laura Capps	Clerk	2020
Ismael Paredes Ulloa	Member	2018
Kate Parker	Member	2018

ADMINISTRATION

Cary Matsuoka	Superintendent
Meg Jetté	Assistant Superintendent, Business Services
Mitch Torina	Assistant Superintendent, Human Resources
Frann Wageneck	Assistant Superintendent, Student Services, Special Education
Shawn Carey	Assistant Superintendent, Secondary Education
Raul Ramirez	Assistant Superintendent, Elementary Education
Todd Ryckman	Chief Education Technology Officer

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Amended Second Period Report	Amended Annual Report
Regular ADA		
Transitional kindergarten through third	2,220.70	2,222.85
Fourth through sixth	1,737.55	1,738.83
Seventh and eighth	2,905.66	2,901.24
Ninth through twelfth	6,044.81	5,994.22
Total Regular ADA	12,908.72	12,857.14
Extended Year Special Education		
Transitional kindergarten through third	4.53	4.53
Fourth through sixth	2.61	2.61
Seventh and eighth	2.76	2.76
Ninth through twelfth	5.85	5.85
Total Extended Year Special Education	15.75	15.75
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	3.89	3.89
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.42	0.42
Total ADA	12,928.78	12,877.20

	Final Report	
	Amended Second Period Report	Amended Annual Report
SANTA BARBARA CHARTER SCHOOL		
Regular ADA		
Transitional kindergarten through third	160.69	160.57
Fourth through sixth	112.74	113.75
Seventh and eighth	3.87	3.64
Total Regular ADA	277.30	277.96
Classroom based ADA (included in Regular ADA)		
Transitional kindergarten through third	134.10	134.40
Fourth through sixth	95.69	95.95
Total Regular ADA	229.79	230.35

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	44,120	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		51,165	180	-	Complied
Grade 2		51,165	180	-	Complied
Grade 3		51,165	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,590	180	-	Complied
Grade 5		54,590	180	-	Complied
Grade 6		54,590	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		54,675	180	-	Complied
Grade 8		54,675	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		64,885	180	-	Complied
Grade 10		64,885	180	-	Complied
Grade 11		64,885	180	-	Complied
Grade 12		64,885	180	-	Complied

SANTA BARBARA CHARTER SCHOOL

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	44,120	175	-	Complied
Grades 1 - 3	50,400				
Grade 1		54,590	175	-	Complied
Grade 2		54,590	175	-	Complied
Grade 3		54,590	175	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,590	175	-	Complied
Grade 5		54,590	175	-	Complied
Grade 6		54,590	175	-	Complied

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

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

	County School Facilities Fund - Non-Major Governmental
FUND BALANCE	
Balance, June 30, 2018, Unaudited Actuals	$ 8,284,702
Increase in:	
Accounts payable	(165,359)
Balance, June 30, 2018, Audited Financial Statement	$ 8,119,343

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND [3]				
Revenues	$ 156,206,545	$ 163,793,096	$ 156,161,586	$ 152,783,218
Other sources	52,000	-	2,019,162	245,897
Total Revenues and Other Sources	156,258,545	163,793,096	158,180,748	153,029,115
Expenditures	165,743,360	159,511,339	153,880,503	144,910,237
Other uses and transfers out	1,425,411	3,564,641	1,429,561	1,576,548
Total Expenditures and Other Uses	167,168,771	163,075,980	155,310,064	146,486,785
INCREASE (DECREASE) IN FUND BALANCE	$ (10,910,226)	$ 717,116	$ 2,870,684	$ 6,542,330
ENDING FUND BALANCE	$ 14,369,676	$ 25,279,902	$ 24,562,786	$ 21,692,102
AVAILABLE RESERVES [2]	$ 18,972,109	$ 26,323,717	$ 17,292,788	$ 10,493,012
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	11.35%	16.14%	11.13%	7.16%
LONG-TERM OBLIGATIONS [4]	N/A	$ 286,269,440	$ 287,127,990	$ 200,441,471
K-12 AVERAGE DAILY ATTENDANCE AT P-2	12,631	12,929	13,096	13,320

The General Fund balance has increased by $3,587,800 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $10,910,226 (43.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $85,827,969 over the past two years.

Average daily attendance has decreased by 391 over the past two years. An additional decline of 298 ADA is anticipated during fiscal year 2018-2019.

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

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

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

[4] Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Name of Charter School	Included in Audit Report
Santa Barbara Charter (Charter Number 6111603)	Yes
Adelante (Charter Number 6118202)	No
Peabody (Charter Number 6045918)	No

See accompanying note to supplementary information.

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	Charter School Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 276,991	$ 434,039	$ 204,559
Receivables	97,813	259,080	1,472,619
Due from other funds	139,203	-	-
Stores inventories	-	-	61,805
Total Assets	$ 514,007	$ 693,119	$ 1,738,983
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ 1,129,474
Accounts payable	34,669	60,523	205,458
Due to other funds	211,345	-	-
Unearned revenue	-	6,407	112,500
Total Liabilities	246,014	66,930	1,447,432
Fund Balances:			
Nonspendable	-	-	61,805
Restricted	76,009	608,631	229,746
Assigned	191,984	17,558	-
Total Fund Balances	267,993	626,189	291,551
Total Liabilities and Fund Balances	$ 514,007	$ 693,119	$ 1,738,983

See accompanying note to supplementary information.

Capital Facilities Fund		County School Facilities Fund		Special Reserve Fund For Capital Outlay Projects		Total Non-Major Governmental Funds	
$	4,685,844	$	8,094,468	$	1,207,866	$	14,903,767
	17,583		24,875		4,268		1,876,238
	-		-		-		139,203
	-		-		-		61,805
$	4,703,427	$	8,119,343	$	1,212,134	$	16,981,013
$	-	$	-	$	-	$	1,129,474
	21,712		-		19,330		341,692
	-		-		-		211,345
	-		-		-		118,907
	21,712		-		19,330		1,801,418
	-		-		-		61,805
	4,681,715		8,119,343		1,192,804		14,908,248
	-		-		-		209,542
	4,681,715		8,119,343		1,192,804		15,179,595
$	4,703,427	$	8,119,343	$	1,212,134	$	16,981,013

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

	Charter School Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Local Control Funding Formula	$ 2,273,878	$ -	$ -
Federal sources	47,840	352,474	6,731,815
Other State sources	142,422	2,616,358	389,257
Other local sources	361,552	647,823	1,507,596
Total Revenues	2,825,692	3,616,655	8,628,668
EXPENDITURES			
Current			
Instruction	2,322,096	-	-
Instruction-related activities:			
Supervision of instruction	19,138	-	-
School site administration	340,113	-	-
Pupil services:			
Home-to-school transportation	16,460	-	-
Food services	-	31,776	8,971,577
All other pupil services	38,661	-	-
Administration:			
All other administration	211,345	163,862	450,648
Plant services	71,316	31,284	175,984
Community services	149,566	3,137,689	-
Facility acquisition and construction	237,578	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	3,406,273	3,364,611	9,598,209
Excess (Deficiency) of Revenues Over Expenditures	(580,581)	252,044	(969,541)
Other Financing Sources			
Transfers in	103,887	-	221,524
NET CHANGE IN FUND BALANCES	(476,694)	252,044	(748,017)
Fund Balances - Beginning	744,687	374,145	1,039,568
Fund Balances - Ending	$ 267,993	$ 626,189	$ 291,551

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 2,273,878
-	-	-	7,132,129
-	8,164,449	280,919	11,593,405
1,750,449	46,614	104,534	4,418,568
1,750,449	8,211,063	385,453	25,417,980
-	-	-	2,322,096
-	-	-	19,138
-	-	-	340,113
-	-	-	16,460
-	-	-	9,003,353
-	-	-	38,661
-	-	-	825,855
82,760	-	-	361,344
-	-	-	3,287,255
946,625	-	667,192	1,851,395
-	145,669	-	145,669
-	19,690	-	19,690
1,029,385	165,359	667,192	18,231,029
721,064	8,045,704	(281,739)	7,186,951
-	-	-	325,411
721,064	8,045,704	(281,739)	7,512,362
3,960,651	73,639	1,474,543	7,667,233
$ 4,681,715	$ 8,119,343	$ 1,192,804	$ 15,179,595

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the prior period as revenues that were not spent. These amounts have been expended as of June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 13,869,907
Medi-Cal Billing Option	93.778	94,120
Total Schedule of Expenditures of Federal Awards		$ 13,964,027

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201. The District neither met nor exceeded its target funding.

The Charter School is required to comply with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable. The Charter School neither met nor exceeded its target funding.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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

INDEPENDENT AUDITOR'S REPORTS

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

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

Governing Board
Santa Barbara Unified School District
Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Santa Barbara Unified School District's basic financial statements, and have issued our report thereon dated December 7, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matter

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

We noted certain matters that we reported to management of Santa Barbara Unified School District in a separate letter dated December 7, 2018.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2018

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

Governing Board
Santa Barbara Unified School District
Santa Barbara, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2018

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Santa Barbara Unified School District
Santa Barbara, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Basis for Qualified Opinion on Instructional Materials

As described in the accompanying schedule of findings and questioned costs, Santa Barbara Unified School District did not comply with requirements regarding *Instructional Materials*, as noted in finding 2018-001. Compliance with such requirements is necessary, in our opinion, for Santa Barbara Unified School District to comply with the requirements applicable to that program.

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Qualified Opinion on Instructional Materials

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Barbara Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Programs

In our opinion, Santa Barbara Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

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

	Procedures Performed
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

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

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

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

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

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

The District did not participate in the Charter School Facility Grant Program; therefore, we did not perform any procedures for Charter School Facility Grant Program.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA BARBARA UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Program Cluster

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

STATE AWARDS

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

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

Name of Program
Instructional Materials

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The following finding represents an instance of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
70000	Instructional Materials

2018-001 Code 70000

Criteria or Specific Requirements

According to the California *Education Code* Section 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school for that year. The board shall also provide a ten day notice of the public hearing. The notice shall contain the time, place, and purpose of the hearing and shall be posted in three public places in the school district.

Condition

The District was found to be out of compliance with regard to when the public hearing for instructional materials was held. The District held the hearing on November 14, 2017, which was not within the first eight weeks of the start of school. Additionally, the related notice was not posted.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the minutes of board meetings. Also, the District did not post the notice of public hearing.

Effect

A public hearing, as required by *Educational Code*, was not held within eight weeks from the first day of the school year. No notice was posted containing the time, place, and purpose of the public hearing.

Cause

Turnover in staff caused oversight of applicable compliance requirements.

Recommendation

The District should make every effort to hold the public meeting before the eight weeks prior to the start of school. The District should designate a management employee with the responsibility for making sure the public hearing is identified on the board agenda before the eight weeks have passed. It is recommended that the District implement procedures to ensure that the notice of public hearing is posted for the time frame as noted in the above referenced education code.

Corrective Action Plan

The Directors of Secondary and Elementary Education in Education Services will schedule the public meeting to be held before the eight weeks prior to the start of school and will ensure that the hearing is included on the board agenda before the eight week time frame has passed. Once the purchase orders for textbooks are finalized, the Directors will schedule the public meeting to ensure that it happens in a timely manner.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Federal Awards Findings

2017-001 Code 50000

Federal Program Affected

Title: Title I, Part A- Basic Grants, Low Income and Neglected
CFDA: 84.010
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition

The Santa Barbara Unified School District did not have sufficient controls in place to ensure that employees working on multiple activities or cost objectives maintain time accounting documentation in accordance with federal requirements. Specifically, out of 20 employees selected for testing, four were missing all or portions of their time accounting documentation for the 2016-2017 fiscal year.

Questioned Costs

Salaries charged without adequate time accounting documentation totaled $84,814.

Context

The condition was identified as a result of the auditor's review of Title I, Part program during this year.

Effect

The District has not complied with the requirements identified in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii).

Cause

The condition identified appears to have materialized due to the District's lack of established procedures to ensure compliance with the requirements under Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii).

Recommendation

The District should review the requirements stated in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii) and implement a procedure to address the control deficiency currently identified with the District's time accounting documentation as it relates to employees working on multiple activities or cost objectives.

Current Status

Implemented.

2017-002 **Code 50000**

Federal Program Affected

Program Name: Title I, Part A Basic Grants, Low-Income and Neglected
CFDA Number: 84.010
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.63(a), local education agencies (LEAs) must provide timely and meaningful consultations with appropriate officials of private schools. LEAs must be able to demonstrate that eligible private schools were contacted and notified of the opportunity to participate in the Title I, Part A program.

Condition

Through inquiry with District personnel, it appears that records were not maintained to demonstrate that private schools had been contacted and notified of the opportunity to participate in the Title I, Part A program for the 2016-2017 school year.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor’s inquiry with District personnel.

Effect

The District was not in compliance with Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.63(a).

Cause

The condition identified appears to have materialized due to private school correspondence records not being maintained by the District for the 2016-2017 school year.

Recommendation

It is recommended that the District maintain private school correspondence records, minutes from meetings with private school representatives, and written affirmations from private school officials to demonstrate compliance with provisions under Title 34, Code of Federal Regulations, Part 200, Subpart A, and Section 200.63(a).

Current Status

Implemented.

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

VALUE THE *difference*

Governing Board
Santa Barbara Unified School District
Santa Barbara, California

In planning and performing our audit of the financial statements of Santa Barbara Unified School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 7, 2018, on the government-wide financial statements of the District.

FUND BALANCE – Cafeteria Fund

<u>Observation</u>

The Cafeteria Fund has incurred operating deficits in two of the past three years. For the 2017-2018 fiscal year, the Cafeteria Fund had significant deficit spending due to program improvements. Although the General Fund makes an annual contribution, it is generally not intended to cover the deficit amount. This year's deficit spending total was $748,017, leaving only $291,551 remaining fund balance. If this trend continues, the General Fund may be obligated to future increased contributions.

<u>Recommendation</u>

The District should review its actual expenditures to date in comparison with the year-end projections to determine if any adjustments to the budgeted transfer should be made. The District should concentrate its efforts in reversing the trend of deficit spending.

<u>District Response</u>

Food Service's operating deficits were significant in the past two years due to the expansion of program. Labor and benefits are our largest expense due to our expansion. We have decreased our labor by terminating three probationary staff. We are no longer approving overtime but rather staggering shifts to cover special events. As of this fiscal year we are no longer funding a Culinary Arts Instructor. We have implemented a new inventory plan that has decreased our supply purchases by about $80k for this fiscal year and have taken full advantage of the commodity foods which will save us about $120k in food purchases this fiscal year.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

ASSOCIATED STUDENT BODY (ASB)

Deficit Fund Balances

Observation

During our review of the financial statements, it was noted that three schools had multiple trust accounts with negative balances as of the year-end. More specifically, the athletic accounts at Dos Pueblos High School had a significant negative balance totaling $145,473 that has been increasing over the years.

Recommendation

The ASB bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The site should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made.

Santa Barbara Junior High School

Observations

During the audit of student body funds, we noted the following issues:

1. The cash procedures need to be revisited and strengthened. Five of six deposit batches selected did not contain proper receipting documentation such as tally sheets, logs, or individual triplicate receipts. For these deposits, the date the cash was received could not be determined and it could not be determined if each deposit had been deposited intact.
2. Two of the cash receipts were not reflected in the general ledger.
3. No deposits were deposited in a timely manner.
4. Three of the deposits were not given ASB receipts.
5. One of the disbursements was from the previous ASB system used (Blue Bear), but the date on the check log reflected the wrong year.
6. Three of five disbursements selected for testing were completed prior to the approval date indicated on the associated ASB Requisition Form.
7. Bank reconciliations are not being performed in a timely manner. Each bank reconciliation reviewed was generated on the date of the audit.

8. The ASB's transfer of bank accounts in the previous year appears to have caused multiple outstanding adjustments on each bank reconciliation. The bank reconciliation tested did not appear to accurately reflect the correct book balance of the ASB, as multiple uncleared adjustments, checks, and deposits appear to have actually cleared. An adjustment was identified on the November 2017 cleared checks (expense) that was for the same amount as a deposit (revenue) done in that same month. ASB personnel was unable to properly explain why the adjustment was made. Stale dated and voided checks are still being reflected in the adjustments as uncleared checks and other credits.
9. Web store deposits that are reflected in the bank statements are listed as outstanding deposits in the bank reconciliation. Web store fees are not properly reflected in the general ledger.
10. Both revenue potential forms selected for testing did not indicate actual revenues and expenditures associated with each event.
11. Daily sales forms, logs, tally sheets, or similar documentation has not been used to track the sale of PE clothes. Perpetual inventory records have not been maintained.
12. A master ticket log is not being used by the site to account for all tickets on hand and used during the year.

<u>Recommendations</u>

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in, should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. Cash receipts should be properly recorded in the ASB general ledger. Proper training in ASB Works accounting system is recommended for personnel.
3. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should establish a specific guideline for this procedure including the maximum cash on hand that should be maintained at the site.
4. Pre-numbered triplicate receipts or logs should be consistently utilized when collecting money for all ASB events and transactions.
5. Checks from the Blue Bear system should not be outstanding on ASB Works, these checks should be voided in ASB Works. The checks should also be properly dated. A proper reconciliation of both systems is recommended.
6. In order to ensure proper internal controls over the ASB disbursements, all disbursement transactions should be pre-approved by authorized administrative personnel and the student council. This would allow the administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

7. As bank reconciliations are imperative to ensuring that account balances are accurate, it is recommended that they be completed on a monthly basis.

8. ASB personnel need assistance in reconciling the ASB's account. As multiple incorrect outstanding adjustments exist, the ASB financial position appears to be misstated and should be corrected in a timely manner.

9. ASB personnel should generate reports from the ASB accounting system to indicate which web store sales compose each web store deposit shown on the bank statements. These reports should be reconciled to each deposit and any discrepancies should be explained.

10. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

11. The site should implement a system to keep track of items sold for purposes for collecting monies for ASB. This may be done through a physical inventory count prior to sales taking place as well as performing an inventory count after sales. In addition, the site may implement a tally sheet documenting items being sold as well as the selling price. As items are sold, individuals will indicate it by adding a line. After the sales are completed, the advisors should reconcile the tally sheet to the cash collected and submit all documentation to the individual depositing cash to the bank.

12. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Goleta Valley Junior High School

<u>Observations</u>

1. Based on the review of disbursement procedures, all seven disbursements tested only had two of three required signatures of approval. The purchase approvals were not being approved by the board designee.

2. Two revenue potential forms tested were incomplete. The actual column was left blank. Therefore, the auditor was unable to trace the receipts and disbursements from the source documents to the activity report.

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

Dos Pueblos High School

Observations

During our review of the associated study body procedures, the following issues were noted:

1. One of eight deposits tested were not deposited in a timely manner. The delay in deposit was 14 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collections are not being counted in the presence of multiple personnel during ticketed events. The person counting the cash should have at least one person beside them to ensure proper internal controls are in place.
3. Based on the review of disbursement procedures, of the 25 disbursements tested, 10 disbursements only had two of the three required signatures of approval. The purchase approvals were not being approved by the board designee. Fourteen of 25 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved. Lastly, one of the 25 transactions reviewed was not appropriate for the ASB/Club. The ASB purchased school apparel for the front office.
4. Two revenue potential forms tested were incomplete. The actual column was left blank. Therefore, the auditor was unable to trace the receipts and disbursements from the source documents to the activity report.
5. During the review of student store procedures, it was noted that a physical inventory count is not being performed and a perpetual inventory record is not being maintained.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. The ASB should adhere to their established procedures related to cash counting for ticketed event sales or student store activity. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. The bookkeeper and the depositing party should both sign and date the ticket form for door and gate sales.

3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
5. The student council should maintain a perpetual inventory over PE Paraphernalia and perform a physical count of inventory. Perpetual inventory documentation is essential when performing an analysis between the perpetual and physical counts. This analysis will assist the student council in identifying if items have been misplaced or stolen.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2018

APPENDIX E

BOOK ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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.

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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes 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 (defined herein) 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 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.

DTC may discontinue providing its services as depository with respect to the Notes 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, Note certificates are required to be printed and delivered.

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, Note certificates will be printed and delivered to DTC.

APPENDIX F

SANTA BARBARA COUNTY INVESTMENT POOL

The following information concerning the Santa Barbara County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District or the Underwriters. None of the District, the Municipal Advisor and the Underwriter have made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Santa Barbara County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at http://www.countyofsb.org/ttcpapg; however, the information presented on such website is not incorporated herein by any reference.

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BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name:	Treasurer - Tax Collector
Department No.:	065
For Agenda Of:	05/21/2019
Placement:	Administrative
Estimated Tme:	
Continued Item:	No
If Yes, date from:	
Vote Required:	Majority

TO:	Board of Supervisors	
FROM:	Department Director(s)	Harry E. Hagen, CPA, CPFA, CPFO, ACPFIM, CFIP, CGIP, Treasurer - Tax Collector 568-2490
	Contact Info:	Jennifer C. Christensen, JD MBA CPFO CFIP, Chief Investment Officer 568-2925

SUBJECT: **Treasurer's Investment Pool, FY 2018-2019 Third Quarter (Jan-Mar 2019)**

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

Accept for filing the Fiscal Year 2018-2019 Third Quarter (January – March 2019) report on the Treasurer's Investment Pool, pursuant to Government Code section 53646(b).

Summary Text:

The value of the Treasurer's Investment Pool at principal cost on March 31, 2019, was $1,657,197,047. Market value of the investment pool was $1,657,569,279. The weighted average days-to-maturity (WAM) for the investment pool was 279 days.

The Treasurer's Investment Pool earned $7,523,595 for the quarter ending March 31, 2019, an annualized return of 1.940%. The net yield earned over the past year is 1.667%. Per Government Code Section 53600.5, the Santa Barbara County Treasurer has a mandated responsibility to manage and invest public funds with the primary objective of safeguarding principal, the secondary objective of meeting the liquidity needs of pool participants, and thirdly, the objective of attaining a market average rate of return, consistent with the primary objectives of safety and liquidity.

For the quarter ending March 31, 2019, the Treasurer's Investment Pool anticipated and met all liquidity requirements, precluding any need to sell holdings unexpectedly at a potential loss in order to meet cash flow demands.

All investments purchased, met or exceeded state and local policy requirements for credit quality. Credit quality of assets held in the Treasurer's Investment Pool is monitored on an ongoing basis.

The Santa Barbara County Treasurer conforms to all applicable State statutes and County resolutions that govern the investment of public funds.

Background:

This quarterly report is being submitted to you pursuant to California Government Code section 53646 (b). In addition, California Government Code section 53646 (b) (3) requires the Treasurer-Tax Collector to include a statement in the Treasurer's Report affirming the ability of the Santa Barbara County Investment Pool to meet expenditure requirements for the next six months.

This report was reviewed and discussed by the Treasury Oversight Committee at its quarterly meeting. The Treasury Oversight committee promotes the public interest and is governed by California Government Code sections 27130 through 27133.

Performance Measure:

To ensure the financial stability of the County, monitor and project liquidity requirements as evidenced by zero securities sold at a loss to meet cash flow needs of pool participants: Accomplished.

To ensure the financial stability of the County and secure public agency funds, all investments stay within compliance 100% of the time with the Government Code and the Treasurer's Investment Policy: Accomplished.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

For the quarter ending March 31, 2019, net investment earnings achieved by the Treasurer's Investment Pool were $7,523,595, with the County receiving 39.6%, Schools 51.4%, and Special Districts the balance of 9.0%. The net yield earned for the quarter on an annualized basis is 1.940% and over the past year is 1.661%

Attachments:

Treasurer's Third Quarter Investment Pool Report (January – March 2019)

Authored by:

Jennifer C. Christensen, JD MBA CPFO CFIP, Chief Investment Officer

SANTA BARBARA COUNTY

TREASURER'S REPORT TO THE BOARD OF SUPERVISORS AND THE TREASURY OVERSIGHT COMMITTEE

FOR THE QUARTER ENDED March 31, 2019

ECONOMIC TREND

- **The Federal Open Market Committee (Committee) decided not to raise the target federal funds rate at its March meeting, maintaining the target range at 2.25% to 2.5%. The Committee indicated that the labor market remained strong but that growth of economic activity had slowed from its solid rate in the fourth quarter. On a 12-month basis, overall inflation had declined, largely as a result of lower energy prices; inflation for items other than food and energy remained near 2 percent.**

- **As summarized in the Beige Book issued April 17, 2019, economic activity expanded at a slight-to-moderate pace in March and early April. Reports on consumer spending were mixed. Reports on tourism were generally more upbeat. Reports on loan demand were mixed, but indicated steady growth. Reports on manufacturing activity were favorable. Most Districts reported stronger home sales. Among reporting Districts, agricultural conditions remained weak, with contacts expressing concerns over the impact of current and future rainfall and flooding.**

- **Employment continued to increase nationwide. While contacts reported gains across a variety of industries, employment increases were most highly concentrated in high-skilled jobs. However, labor markets remained tight, restraining the rate of growth. This tight labor market also led to continued wage pressures, as most Districts reported moderate wage growth. Wages for both skilled and unskilled positions generally grew at about the same pace as earlier this year.**

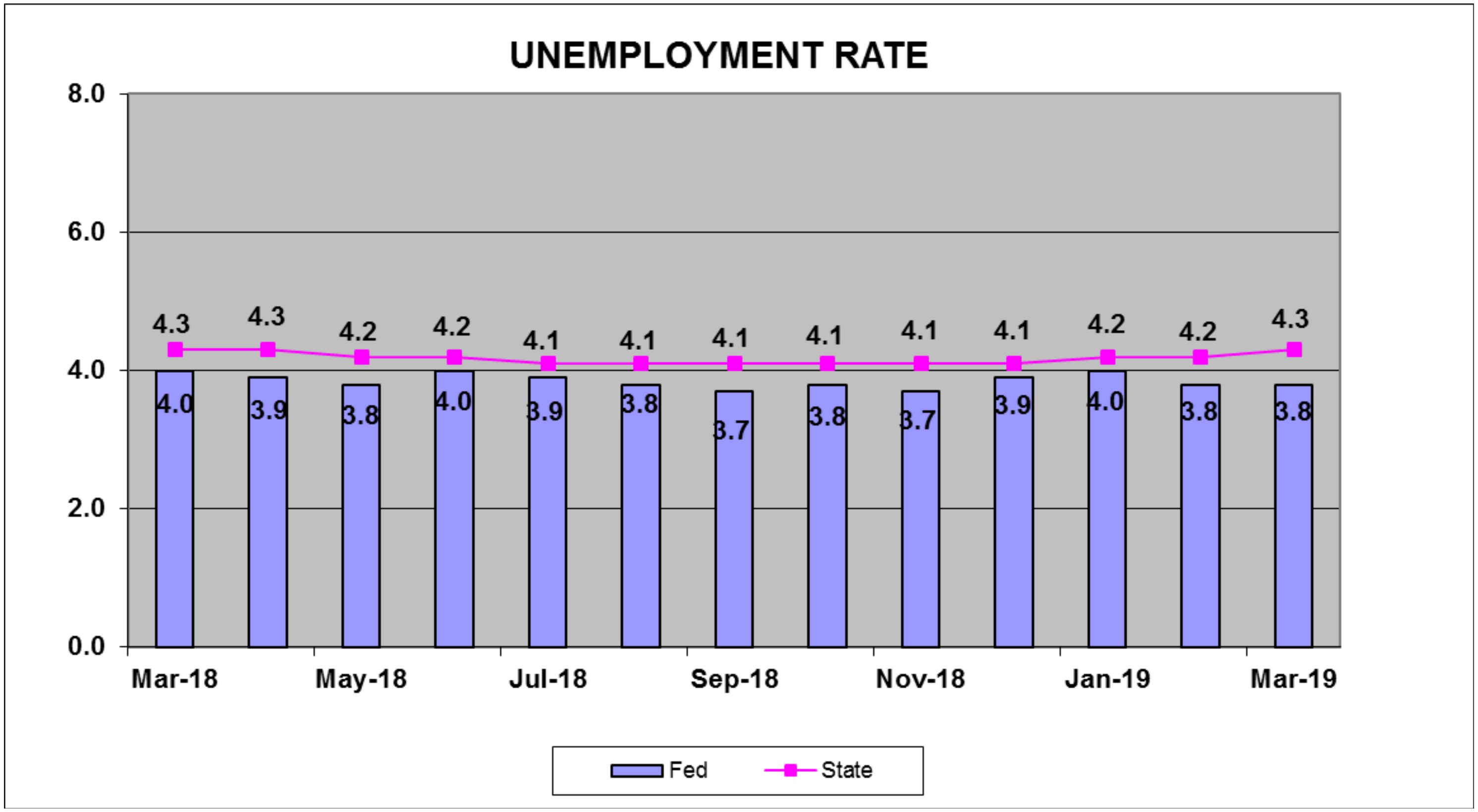
INVESTMENT ACTIVITIES

- **The investment portfolio is in compliance with the Government Code and the Treasurer's Investment Policy.**

- **The Treasurer's Investment Pool has sufficient cash flow available to meet all budgeted expenditures for the next six months.**

ECONOMIC TREND: Unemployment Rate

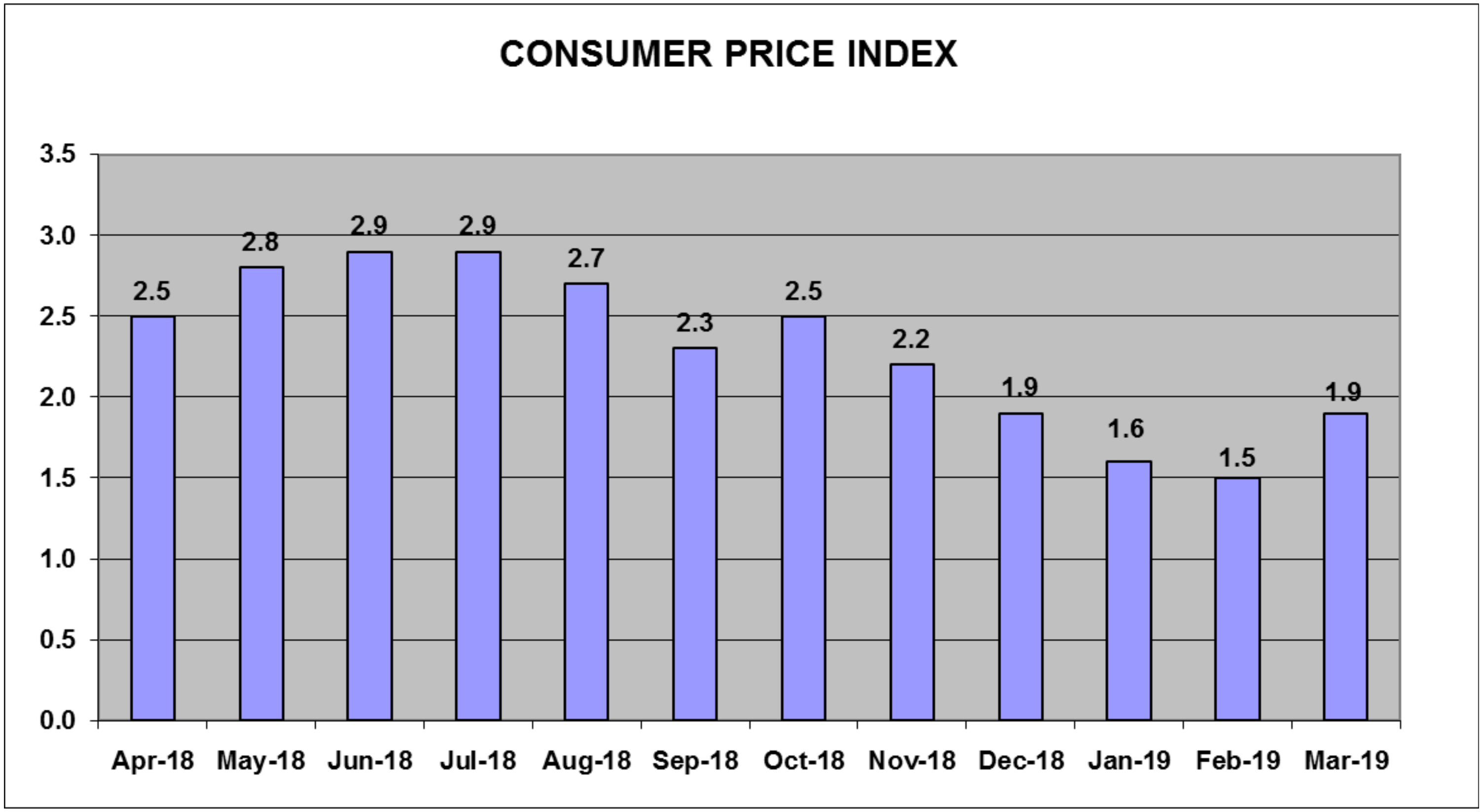
The unemployment rate represents the number of unemployed persons as a percent of the labor force. The sampling used each month to calculate the rate is approximately 60,000 households. The national unemployment rate began the quarter at 3.9% and ended the quarter at 3.8%. California's preliminary unemployment rate was 4.3% in March.



Source: Bureau of Labor Statistics

ECONOMIC TREND: Inflation

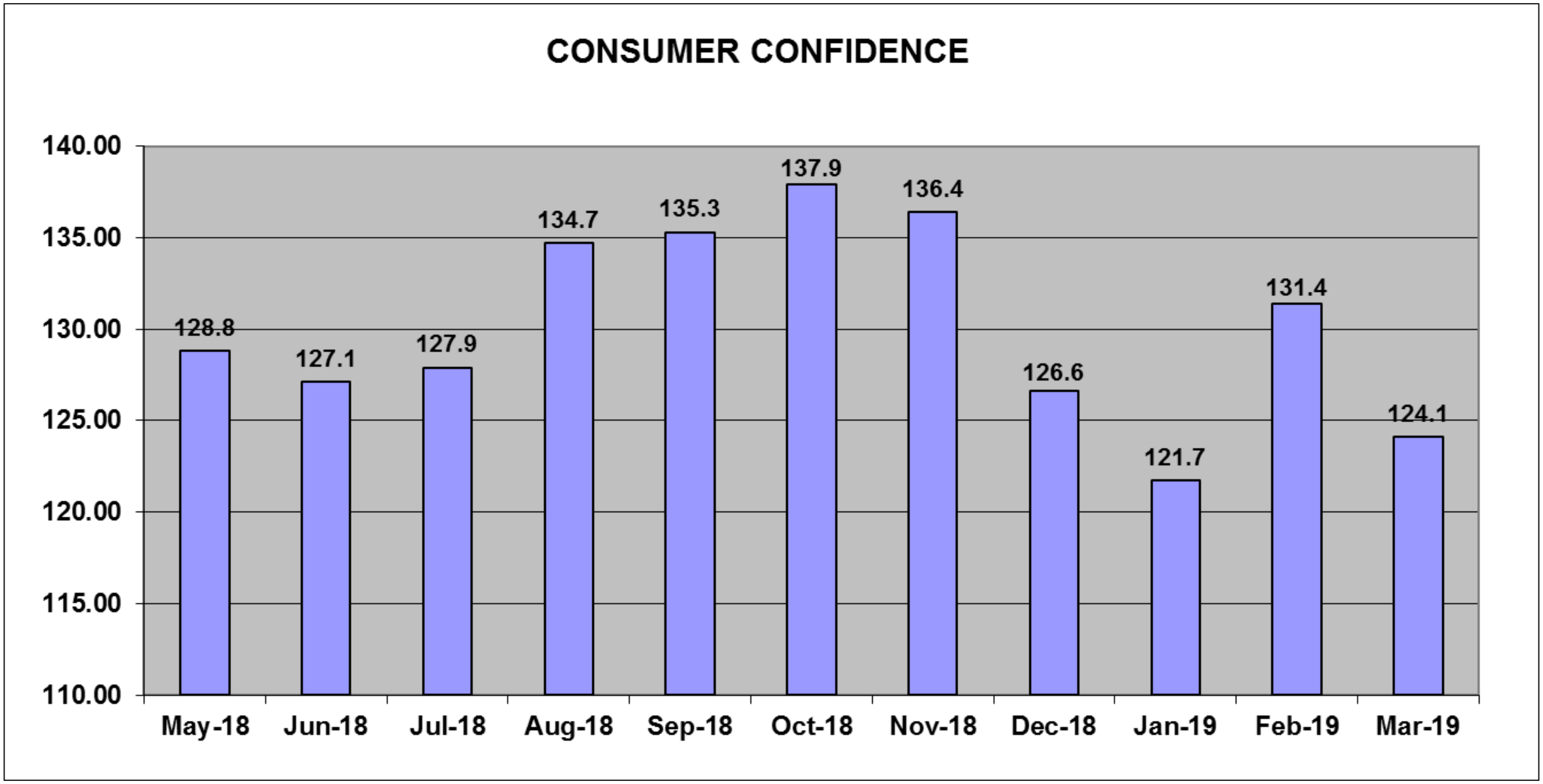
The Consumer Price Index (CPI) represents changes in prices of all goods and services purchased for consumption by urban households. CPI was 1.9% at the end of March. The Core CPI, which excludes food and energy, was 2.0% at the end of March.



Source: Bureau of Labor Statistics

ECONOMIC TREND: Consumer Confidence

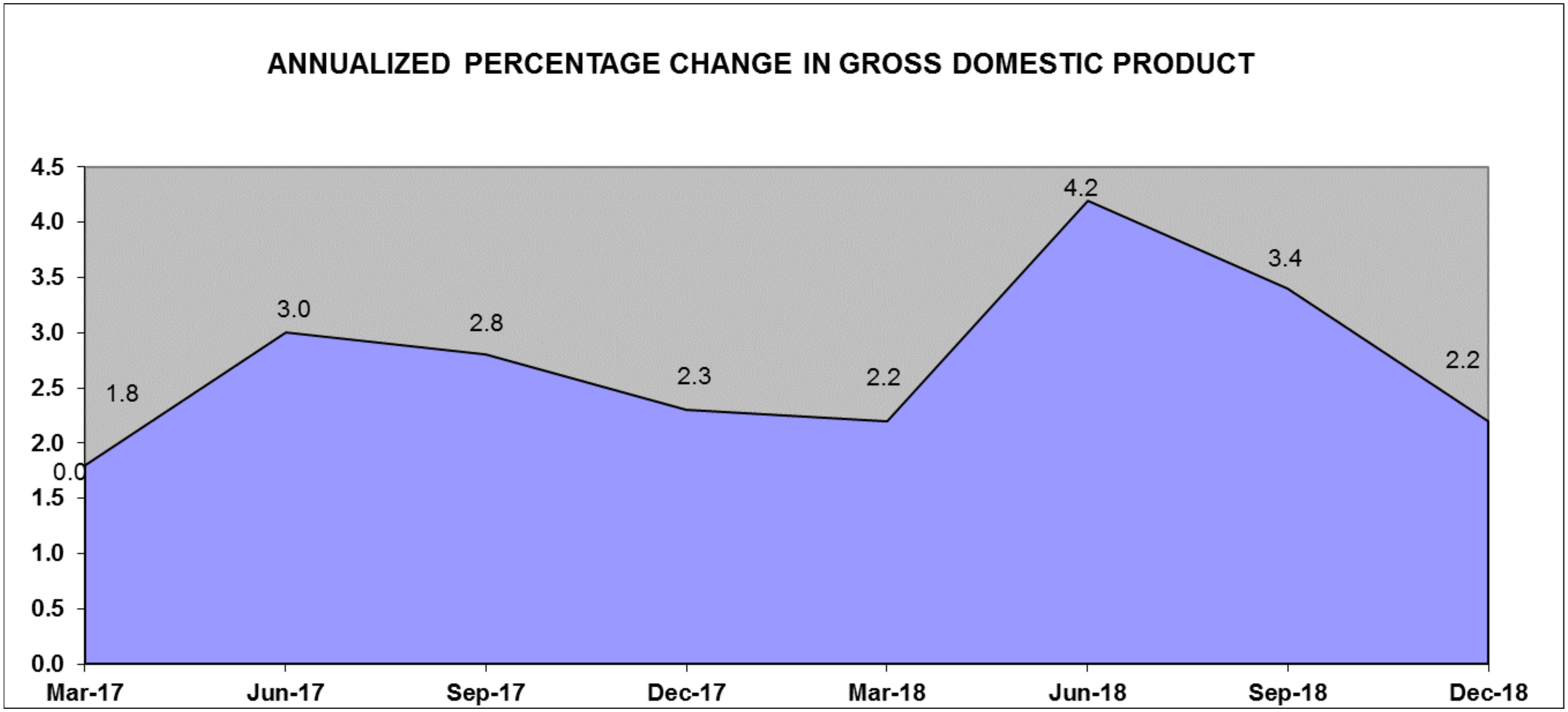
Consumer Confidence is the average of responses to current business and employment conditions and responses to six-month future expectations for business conditions, employment conditions, and total family income. It began the quarter at 126.6 and ended at 124.1.



Source: Conference Board

ECONOMIC TREND: GDP (Gross Domestic Product)

Gross domestic product is the value of all goods and services produced. After eighteen consecutive quarters of growth, the economy experienced its first quarter in negative territory ending March 2014 at -0.9%. Subsequently, the economy continued to recover. For the most recent quarter ending December 31, 2018, the economy reported GDP at 2.2%.



Source: Bureau of Economic Analysis

Santa Barbara County Treasurer's Investment Pool
Statement of Assets
As of March 31, 2019

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value* 3/31/2019	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value* 12/31/2018	Net Change
Cash	$ 44,281,891	$ -	$ 44,281,891	2.67	1.020	1	$ 58,652,956	$ (14,371,065)
California Asset Management Program (CAMP)	150,000,000	-	150,000,000	9.05	2.600	1	140,000,000	10,000,000
Local Agency Investment Fund (LAIF)	65,000,000	-	65,000,000	3.92	2.400	1	65,000,000	-
Federally Insured Cash Account (FICA)	90,000,000	-	$ 90,000,000	5.43	2.350	1	$ 20,000,000	70,000,000
U.S. Treasury Bills	201,907,476	$ 1,281,974	203,189,450	12.26	2.518	135	158,841,600	44,347,850
U.S. Treasury Notes	167,858,398	468,502	168,326,900	10.16	1.890	351	192,584,300	(24,257,400)
Government Agency Bonds	211,615,376	(566,663)	211,048,713	12.73	1.804	427	238,865,870	(27,817,157)
Government Agency Discount Notes	264,076,288	1,569,644	265,645,932	16.03	2.484	93	219,700,400	45,945,532
Government Agency Bonds - Callable	462,457,618	(2,381,225)	460,076,393	27.75	1.806	564	495,685,847	(35,609,454)
Total	$ 1,657,197,047	$ 372,232	$ 1,657,569,279	100.00	2.113	279	$ 1,589,330,973	$ 68,238,306

*Provided by Union Bank

Treasurer's Pool Earnings Summary:

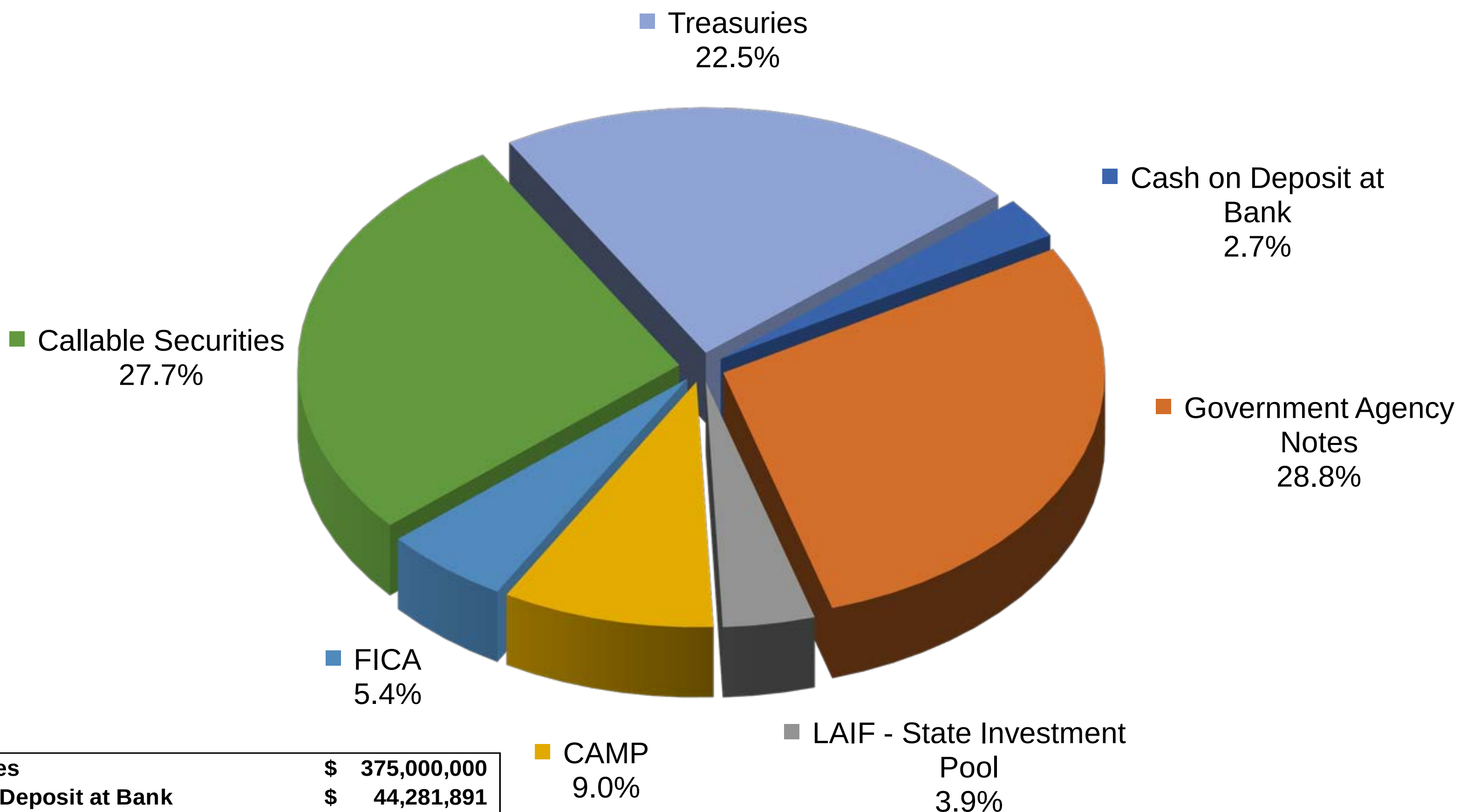
Total Net Earnings on the Treasurer's Pool	$	7,523,595
Average Daily Balance on the Treasurer's Pool	$	1,572,482,985
Net Interest Rate on the Treasurer's Pool		1.940%

**Total net earnings including earned interest, amortization and realized gains and losses on investments.

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value*** 3/31/2019	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value*** 12/31/2018	Net Change
Cannabis Cash* **	$ 4,012,807	$ -	$ 4,012,807	0.00	1.020	1	$ 2,151,409	$ 1,861,398
Total	$ 4,012,807	$ -	$ 4,012,807	0.00	1.020	1	$ 2,151,409	$ 1,861,398

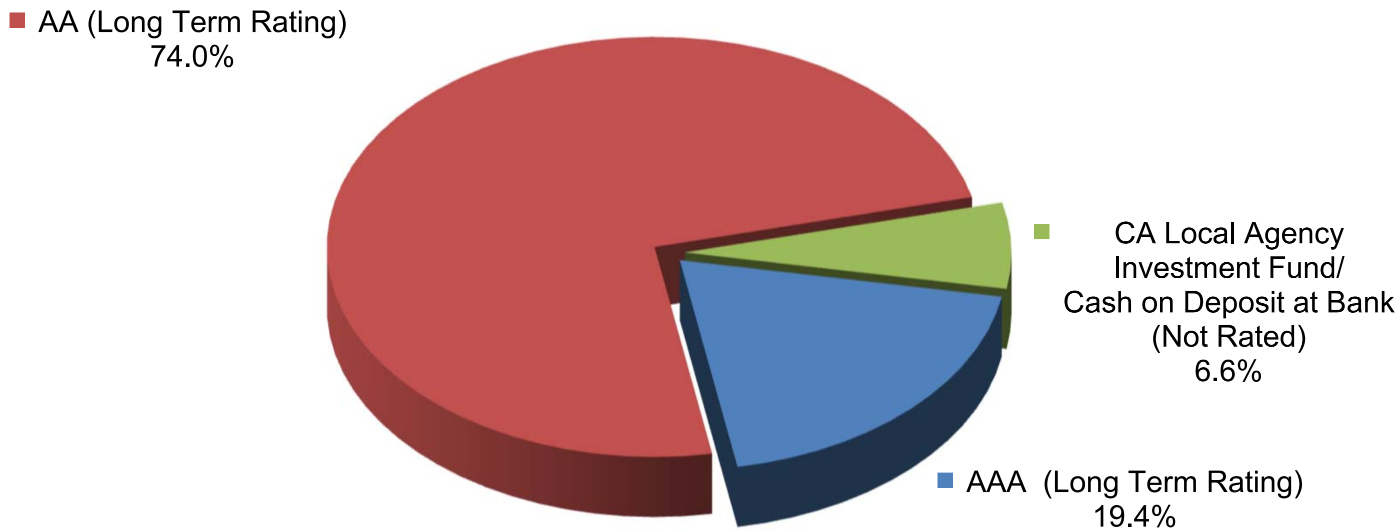
***Proceeds from Cannabis operations are segregated from the Investment Pool and do not receive Investment Pool interest apportionment.

TREASURER'S INVESTMENT POOL
ASSET DISTRIBUTION BY SECTOR (PAR VALUE)
3/31/2019

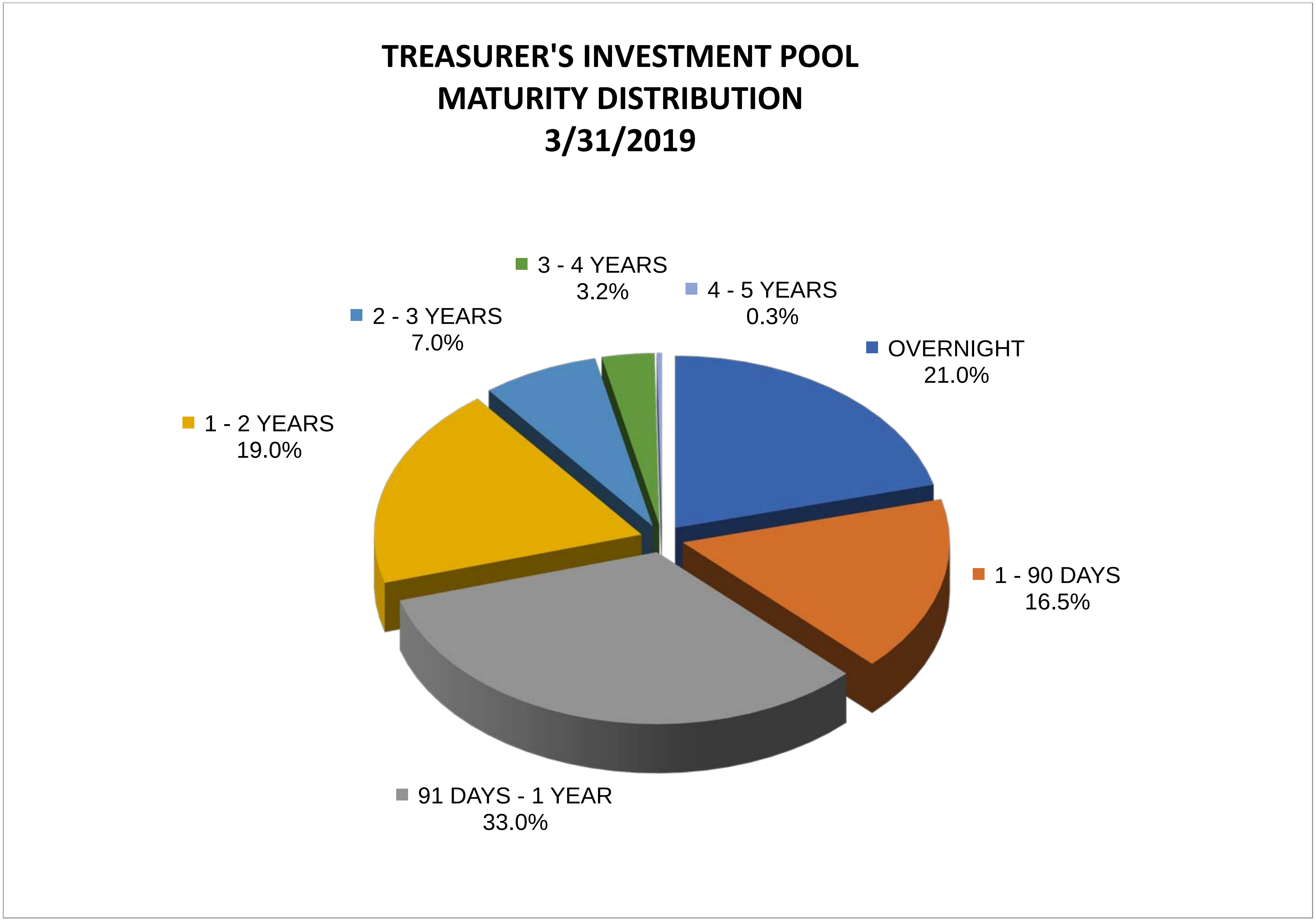


Treasuries	$	375,000,000
Cash on Deposit at Bank	$	44,281,891
Government Agency Notes	$	479,683,000
LAIF - State Investment Pool	$	65,000,000
CAMP	$	150,000,000
FICA	$	90,000,000
Callable Securities	$	463,243,000
TOTAL	$	1,667,207,891

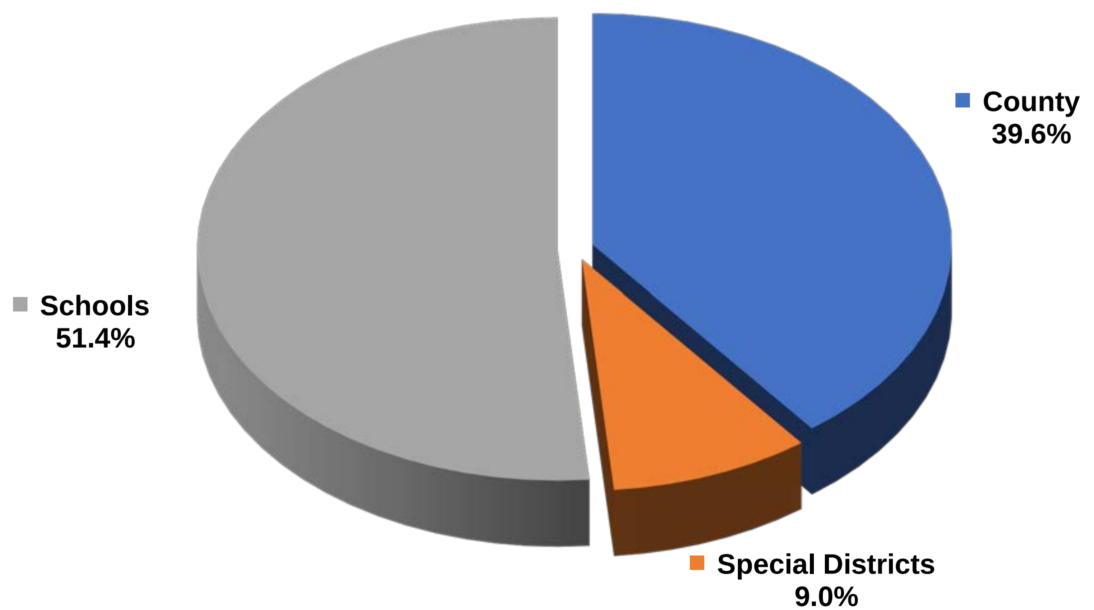
S&P CREDIT RATING AT TIME OF PURCHASE
BY PERCENT OF BOOK VALUE
3/31/2019



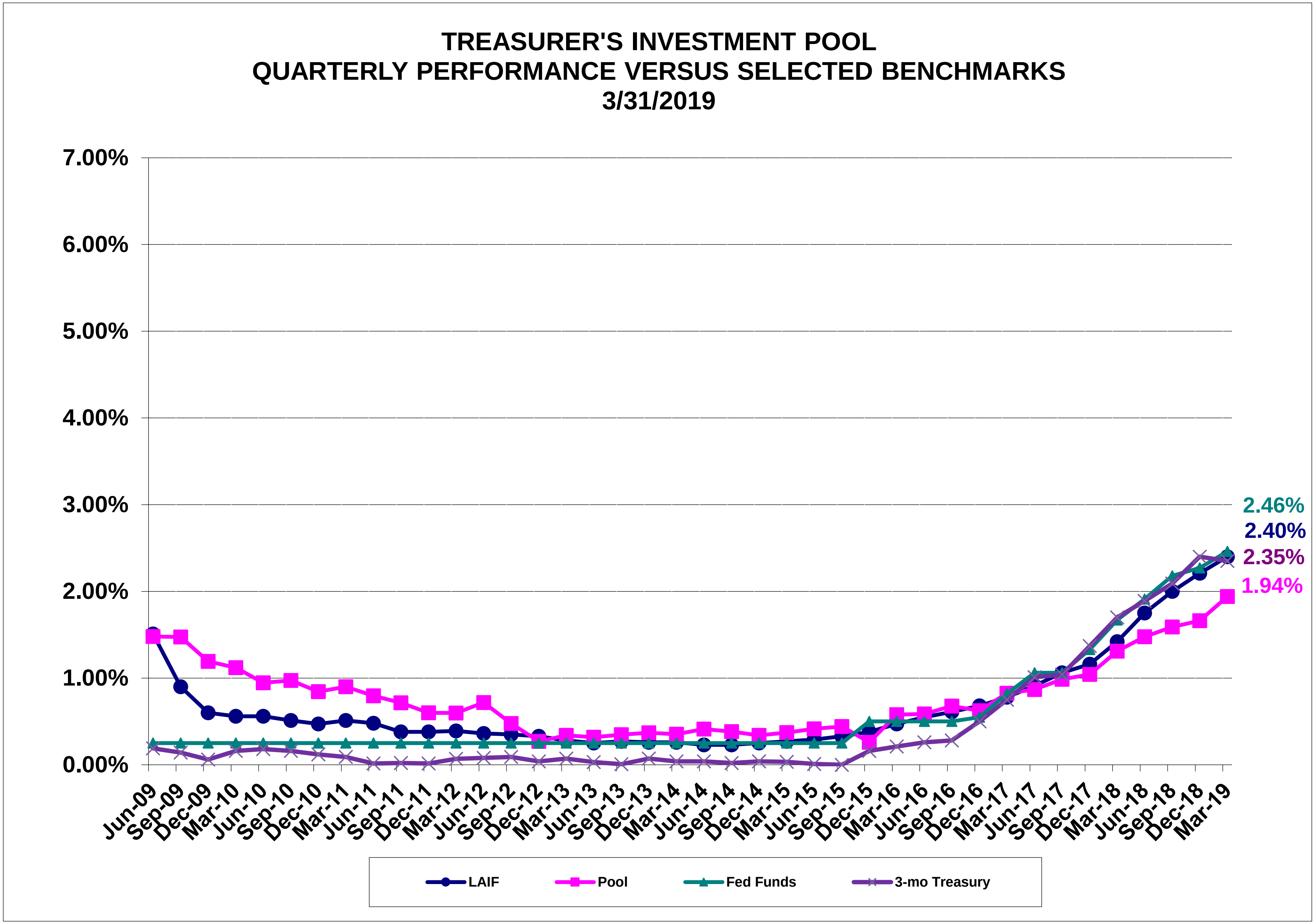
Investment Policy Requirements:
-- US Treasuries: N/A
-- Agency of the Federal Government/US Government Sponsored: N/A
-- Commercial Paper of US Corporations, Assets Greater Than $500 million: A1, P1, F1 (by two of the three rating agencies)
-- State of California - LAIF/Managed Investment Pools: N/A
-- Negotiable CD's: A1, P1, F1 (by two of the three rating agencies)
-- Medium Term Notes/Corporate Notes of US Corporations: Up to three years: AA- by at least two of the three rating agencies. Greater than three years: AA by at least two of the three rating agencies.


TREASURER'S INVESTMENT POOL
MATURITY DISTRIBUTION
3/31/2019
3 - 4 YEARS
3.2%
4 - 5 YEARS
0.3%
2 - 3 YEARS
7.0%
OVERNIGHT
21.0%
1 - 2 YEARS
19.0%
1 - 90 DAYS
16.5%
91 DAYS - 1 YEAR
33.0%

TREASURER'S INVESTMENT POOL
AVERAGE DAILY CASH BALANCE & INCOME DISTRIBUTION
FOR THE QUARTER ENDED 3/31/2019



The average daily cash balance of all entities in the pool during the quarter was $1,572,482,985.
Aggregate interest earnings of $7,523,595 was distributed to pool participants.


TREASURER'S INVESTMENT POOL
QUARTERLY PERFORMANCE VERSUS SELECTED BENCHMARKS
3/31/2019
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
2.46%
2.40%
2.35%
1.94%
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10
Dec-10
Mar-11
Jun-11
Sep-11
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Sep-18
Dec-18
Mar-19
LAIF
Pool
Fed Funds
3-mo Treasury

County Pool 2018-2019
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Cash												
SYS5495	5495	Bank of America Corp.			44,281,891.00	44,281,891.00	44,281,891.00	1.020		1.020	1	
		Subtotal and Average	**492,021.01**		**44,281,891.00**	**44,281,891.00**	**44,281,891.00**			**1.020**	**1**	
FICA												
SYS6255	6255	FICA			90,000,000.00	90,000,000.00	90,000,000.00	2.350	AAA	2.350	1	
		Subtotal and Average	**43,888,888.89**		**90,000,000.00**	**90,000,000.00**	**90,000,000.00**			**2.350**	**1**	
CAMP												
SYS5272	5272	CAMP			150,000,000.00	150,000,000.00	150,000,000.00	2.600	AAA	2.600	1	
		Subtotal and Average	**152,000,000.00**		**150,000,000.00**	**150,000,000.00**	**150,000,000.00**			**2.600**	**1**	
Local Agency Investment Funds												
SYS1009	1009	LAIF			65,000,000.00	65,000,000.00	65,000,000.00	2.400		2.400	1	
		Subtotal and Average	**65,000,000.00**		**65,000,000.00**	**65,000,000.00**	**65,000,000.00**			**2.400**	**1**	
Federal Agency Coupon Securities												
3133EGR98	6184	Federal Farm Credit Bank		12/07/2016	5,000,000.00	4,962,650.00	5,000,000.00	2.020		2.020	890	09/07/2021
3133EHHB2	6355	Federal Farm Credit Bank		04/27/2017	5,000,000.00	4,952,400.00	4,996,783.33	1.450	AA	1.512	392	04/27/2020
3133EHJG9	6375	Federal Farm Credit Bank		05/15/2017	5,000,000.00	4,994,150.00	4,999,969.44	1.400		1.405	44	05/15/2019
3133EHKH5	6392	Federal Farm Credit Bank		05/23/2017	5,000,000.00	4,949,750.00	4,998,923.51	1.570		1.587	479	07/23/2020
3133EHMR1	6422	Federal Farm Credit Bank		06/12/2017	5,000,000.00	4,990,350.00	5,000,000.00	1.375	AA	1.375	72	06/12/2019
3133EHRL9	6459	Federal Farm Credit Bank		07/19/2017	5,000,000.00	4,961,700.00	5,000,000.00	2.000	AA	2.000	840	07/19/2021
3133EHUK7	6478	Federal Farm Credit Bank		08/14/2017	5,000,000.00	4,982,500.00	5,000,000.00	1.400	AA	1.400	135	08/14/2019
3133EHUK7	6486	Federal Farm Credit Bank		08/21/2017	5,000,000.00	4,982,500.00	5,000,000.00	1.400	AA	1.400	135	08/14/2019
3133EHYJ6	6508	Federal Farm Credit Bank		09/12/2017	5,000,000.00	4,978,150.00	4,999,552.78	1.375	AA	1.395	164	09/12/2019
3133EHVX8	6517	Federal Farm Credit Bank		09/18/2017	5,000,000.00	4,941,500.00	4,995,189.11	1.500	AA	1.571	511	08/24/2020
3133EHZA4	6523	Federal Farm Credit Bank		09/20/2017	5,000,000.00	4,919,400.00	4,990,122.22	1.660	AA	1.743	903	09/20/2021
3133EHB69	6565	Federal Farm Credit Bank		10/03/2017	5,000,000.00	4,992,250.00	5,000,000.00	1.450	AA	1.450	63	06/03/2019
3133EHJ95	6574	Federal Farm Credit Bank		10/26/2017	5,000,000.00	4,955,300.00	4,999,476.85	1.750		1.757	574	10/26/2020
3133EHZ89	6595	Federal Farm Credit Bank		12/05/2017	5,000,000.00	4,987,100.00	5,000,000.00	1.750		1.751	157	09/05/2019
3133EH6L2	6633	Federal Farm Credit Bank		01/10/2018	5,000,000.00	4,983,700.00	4,998,062.50	1.950		2.001	284	01/10/2020
3133EJAD1	6641	Federal Farm Credit Bank		01/23/2018	5,000,000.00	4,984,900.00	4,996,682.67	2.150		2.190	632	12/23/2020
3133EJCG2	6660	Federal Farm Credit Bank		02/14/2018	5,000,000.00	5,000,050.00	5,000,000.00	2.730	AA	2.730	1,050	02/14/2022
3133EJXV6	6718	Federal Farm Credit Bank		08/28/2018	5,000,000.00	5,024,400.00	4,996,685.25	2.700		2.736	694	02/23/2021
3133EE5Z9	6833	Federal Farm Credit Bank		03/28/2019	5,528,000.00	5,484,273.52	5,484,048.99	1.750	AA	2.355	491	08/04/2020

County Pool 2018-2019
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3130A6UX3	6004	Federal Home Loan Bank		12/28/2015	5,000,000.00	4,989,400.00	5,000,000.00	1.500	AA	1.500	88	06/28/2019
3130ABUN4	6518	Federal Home Loan Bank		09/18/2017	5,000,000.00	4,958,750.00	5,000,000.00	1.520	AA	1.520	333	02/28/2020
3130A66T9	6526	Federal Home Loan Bank		09/21/2017	5,000,000.00	4,947,350.00	5,000,000.00	1.625	AA	1.625	529	09/11/2020
313380FB8	6533	Federal Home Loan Bank		09/22/2017	5,000,000.00	4,975,600.00	4,997,265.82	1.375		1.499	165	09/13/2019
3130ABY34	6588	Federal Home Loan Bank		11/29/2017	5,000,000.00	4,952,600.00	4,986,670.44	1.613	AA	1.849	424	05/29/2020
3137EADK2	5971	Federal Home Loan Mortgage Co.		11/06/2015	5,000,000.00	4,979,900.00	4,996,457.99	1.250	AA	1.469	122	08/01/2019
3137EADK2	5984	Federal Home Loan Mortgage Co.		12/01/2015	5,000,000.00	4,979,900.00	4,995,713.64	1.250	AA	1.515	122	08/01/2019
3137EADM8	6030	Federal Home Loan Mortgage Co.		01/27/2016	5,000,000.00	4,969,650.00	4,998,429.06	1.250	AA	1.314	184	10/02/2019
3134GA3Q5	6248	Federal Home Loan Mortgage Co.		02/28/2017	1,840,000.00	1,828,389.60	1,840,000.00	2.050		2.050	1,064	02/28/2022
3134GBJF0	6357	Federal Home Loan Mortgage Co.		04/27/2017	5,000,000.00	4,942,200.00	5,000,000.00	1.800	AA	1.800	848	07/27/2021
3137EAEH8	6460	Federal Home Loan Mortgage Co.		07/19/2017	5,000,000.00	4,980,650.00	4,998,679.76	1.375	AA	1.447	136	08/15/2019
3134GBU83	6577	Federal Home Loan Mortgage Co.		10/30/2017	5,000,000.00	4,963,800.00	5,000,000.00	2.000		2.000	942	10/29/2021
3134GBP55	6622	Federal Home Loan Mortgage Co.		12/20/2017	5,000,000.00	4,959,850.00	4,967,894.32	2.000	AAA	2.220	1,121	04/26/2022
3137EADM8	6623	Federal Home Loan Mortgage Co.		12/20/2017	5,000,000.00	4,969,650.00	4,984,113.16	1.250	AA	1.895	184	10/02/2019
3137EAEJ4	6625	Federal Home Loan Mortgage Co.		12/22/2017	5,000,000.00	4,946,400.00	4,971,400.20	1.625		2.020	547	09/29/2020
3134GSET8	6663	Federal Home Loan Mortgage Co.		02/27/2018	5,000,000.00	5,023,550.00	5,000,000.00	2.500	AA	2.500	879	08/27/2021
3137EAEH8	6753	Federal Home Loan Mortgage Co.		12/04/2018	5,000,000.00	4,980,650.00	4,976,349.80	1.375	AA	2.664	136	08/15/2019
3137EADK2	6773	Federal Home Loan Mortgage Co.		12/19/2018	5,000,000.00	4,979,900.00	4,976,810.81	1.250	AA	2.661	122	08/01/2019
3136G1CL1	6187	Federal Nat'l Mtg. Assoc.		12/07/2016	5,000,000.00	4,956,950.00	4,999,903.17	1.500	AA	1.502	325	02/20/2020
3135G0J20	6190	Federal Nat'l Mtg. Assoc.		12/09/2016	5,000,000.00	4,911,750.00	4,965,275.87	1.375	AA	1.755	697	02/26/2021
3135G0P49	6206	Federal Nat'l Mtg. Assoc.		12/16/2016	5,000,000.00	4,970,150.00	4,988,725.46	1.000	AA	1.566	149	08/28/2019
3135G0P49	6294	Federal Nat'l Mtg. Assoc.		04/11/2017	5,000,000.00	4,970,150.00	4,990,908.98	1.000	AA	1.456	149	08/28/2019
3135G0T60	6496	Federal Nat'l Mtg. Assoc.		08/29/2017	5,000,000.00	4,942,250.00	4,999,088.49	1.500	AA	1.514	486	07/30/2020
3135G0T60	6603	Federal Nat'l Mtg. Assoc.		12/11/2017	5,000,000.00	4,942,250.00	4,971,229.72	1.500	AA	1.945	486	07/30/2020
		Subtotal and Average	**224,079,339.20**		**212,368,000.00**	**211,048,713.12**	**212,060,413.34**			**1.804**	**427**	
Federal Agency Disc. -Amortizing												
313312FA3	6704	FC Discount Note		06/08/2018	10,000,000.00	9,979,800.00	9,981,333.33	2.240		2.307	30	05/01/2019
313312FF2	6752	FC Discount Note		12/04/2018	5,000,000.00	4,988,250.00	4,987,895.83	2.490	AAA	2.552	35	05/06/2019
313312FS4	6764	FC Discount Note		12/12/2018	5,000,000.00	4,984,550.00	4,984,155.56	2.480	AAA	2.542	46	05/17/2019
313312QT0	6785	FC Discount Note		01/18/2019	10,000,000.00	9,826,100.00	9,815,900.00	2.520		2.601	263	12/20/2019
313312MN7	6794	FC Discount Note		02/26/2019	10,000,000.00	9,876,000.00	9,871,866.66	2.480		2.548	186	10/04/2019
313312EV8	6824	FC Discount Note		03/22/2019	5,000,000.00	4,991,600.00	4,991,562.50	2.430		2.470	25	04/26/2019
313312EZ9	6826	FC Discount Note		03/26/2019	5,000,000.00	4,990,250.00	4,990,293.05	2.410	AAA	2.449	29	04/30/2019
313312NV8	6759	Fed Farm Crd Discount Note		12/07/2018	5,000,000.00	4,927,950.00	4,919,227.78	2.680		2.769	217	11/04/2019
313312JT8	6765	Fed Farm Crd Discount Note		12/12/2018	10,000,000.00	9,920,000.00	9,914,716.66	2.580		2.652	119	07/29/2019

County Pool 2018-2019
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Disc. -Amortizing												
313384FR5	6701	FHLB Disc Corp		05/25/2018	10,000,000.00	9,969,800.00	9,971,875.00	2.250		2.320	45	05/16/2019
313384HC6	6710	FHLB Disc Corp		06/21/2018	7,000,000.00	6,962,340.00	6,964,222.22	2.300		2.373	80	06/20/2019
313384FV6	6711	FHLB Disc Corp		06/20/2018	10,000,000.00	9,967,100.00	9,968,966.67	2.280		2.349	49	05/20/2019
313384HP7	6714	FHLB Disc Corp		08/20/2018	4,315,000.00	4,288,592.20	4,289,149.55	2.370		2.441	91	07/01/2019
313384ER6	6715	FHLB Disc Corp		08/24/2018	3,000,000.00	2,995,770.00	2,996,045.00	2.260	AAA	2.320	21	04/22/2019
313384MK2	6733	FHLB Disc Corp		10/15/2018	5,000,000.00	4,939,000.00	4,933,916.67	2.600		2.687	183	10/01/2019
313384EY1	6768	FHLB Disc Corp		12/14/2018	5,000,000.00	4,990,600.00	4,990,433.33	2.460		2.518	28	04/29/2019
313384FA2	6769	FHLB Disc Corp		12/14/2018	5,000,000.00	4,989,900.00	4,989,750.00	2.460		2.518	30	05/01/2019
313384FG9	6774	FHLB Disc Corp		12/19/2018	5,000,000.00	4,987,900.00	4,987,650.00	2.470		2.528	36	05/07/2019
313384FC8	6775	FHLB Disc Corp		12/20/2018	5,000,000.00	4,989,250.00	4,989,066.67	2.460		2.517	32	05/03/2019
313384GP8	6776	FHLB Disc Corp		12/20/2018	5,000,000.00	4,977,500.00	4,976,922.22	2.480	AAA	2.544	67	06/07/2019
313384FC8	6777	FHLB Disc Corp		12/20/2018	5,000,000.00	4,989,250.00	4,989,044.44	2.465		2.522	32	05/03/2019
313384FN4	6778	FHLB Disc Corp		12/20/2018	5,000,000.00	4,985,900.00	4,985,591.67	2.470		2.529	42	05/13/2019
313384HZ5	6802	FHLB Disc Corp		03/04/2019	5,000,000.00	4,966,050.00	4,966,193.05	2.410	AAA	2.465	101	07/11/2019
313384HP7	6804	FHLB Disc Corp		03/06/2019	5,000,000.00	4,969,400.00	4,969,540.28	2.410		2.463	91	07/01/2019
313384JW0	6809	FHLB Disc Corp		03/07/2019	5,000,000.00	4,959,150.00	4,958,994.45	2.420		2.478	122	08/01/2019
313384JA8	6810	FHLB Disc Corp		03/07/2019	5,000,000.00	4,965,700.00	4,965,716.67	2.420	AAA	2.475	102	07/12/2019
313384HP7	6812	FHLB Disc Corp		03/11/2019	5,000,000.00	4,969,400.00	4,969,350.70	2.425		2.477	91	07/01/2019
313384KQ1	6815	FHLB Disc Corp		03/11/2019	5,000,000.00	4,953,150.00	4,952,750.00	2.430	AAA	2.491	140	08/19/2019
313384KA6	6816	FHLB Disc Corp		03/12/2019	5,000,000.00	4,957,850.00	4,957,562.50	2.425		2.483	126	08/05/2019
313384GL7	6822	FHLB Disc Corp		03/22/2019	5,000,000.00	4,978,500.00	4,978,488.89	2.420		2.466	64	06/04/2019
313384GD5	6823	FHLB Disc Corp		03/22/2019	5,000,000.00	4,980,850.00	4,980,841.67	2.420	AAA	2.465	57	05/28/2019
313384HL6	6827	FHLB Disc Corp		03/26/2019	10,000,000.00	9,940,800.00	9,940,722.23	2.425	AAA	2.474	88	06/28/2019
313384JU4	6832	FHLB Disc Corp		03/28/2019	10,000,000.00	9,919,300.00	9,919,500.00	2.415		2.469	120	07/30/2019
313384HT9	6834	FHLB Disc Corp		03/28/2019	5,000,000.00	4,968,050.00	4,968,135.42	2.415		2.465	95	07/05/2019
313384HW2	6779	Fed Home Ln Discount Nt		01/02/2019	3,000,000.00	2,980,230.00	2,979,828.34	2.470		2.536	98	07/08/2019
313384HW2	6800	Fed Home Ln Discount Nt		03/04/2019	5,000,000.00	4,967,050.00	4,967,197.22	2.410		2.464	98	07/08/2019
313384HR3	6801	Fed Home Ln Discount Nt		03/04/2019	5,000,000.00	4,968,750.00	4,968,870.83	2.410		2.463	93	07/03/2019
313384HQ5	6813	Fed Home Ln Discount Nt		03/11/2019	5,000,000.00	4,969,100.00	4,969,013.89	2.425		2.478	92	07/02/2019
313384HR3	6820	Fed Home Ln Discount Nt		03/22/2019	5,000,000.00	4,968,750.00	4,968,677.09	2.425		2.476	93	07/03/2019
313384HQ5	6821	Fed Home Ln Discount Nt		03/22/2019	5,000,000.00	4,969,100.00	4,969,013.89	2.425		2.476	92	07/02/2019
313384HG7	6829	Fed Home Ln Discount Nt		03/26/2019	5,000,000.00	4,971,750.00	4,971,708.33	2.425	AAA	2.474	84	06/24/2019
313396HK2	6803	Freddie Discount		03/05/2019	10,000,000.00	9,941,500.00	9,941,758.33	2.410		2.462	87	06/27/2019
313396JM6	6805	Freddie Discount		03/06/2019	5,000,000.00	4,962,000.00	4,962,019.45	2.420		2.477	113	07/23/2019
313396JN4	6806	Freddie Discount		03/06/2019	5,000,000.00	4,961,700.00	4,961,683.33	2.420		2.477	114	07/24/2019
313396ME0	6831	Freddie Discount		03/28/2019	5,000,000.00	4,940,400.00	4,941,161.11	2.380		2.443	178	09/26/2019

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		Subtotal and Average	**210,274,389.73**		**267,315,000.00**	**265,645,932.20**	**265,618,312.48**			**2.484**	**93**	
Treasury Coupon Securities												
912828TC4	5964	U.S. Treasury		10/28/2015	5,000,000.00	4,981,250.00	4,998,741.61	1.000		1.104	90	06/30/2019
912828TR1	5965	U.S. Treasury		10/28/2015	5,000,000.00	4,963,500.00	4,995,534.94	1.000		1.184	182	09/30/2019
912828TH3	5966	U.S. Treasury		10/28/2015	5,000,000.00	4,973,250.00	4,995,659.28	0.875		1.143	121	07/31/2019
912828L65	6167	U.S. Treasury		11/18/2016	5,000,000.00	4,927,350.00	4,986,052.58	1.375	AAA	1.567	548	09/30/2020
912828L65	6168	U.S. Treasury		11/18/2016	5,000,000.00	4,927,350.00	4,986,052.58	1.375	AAA	1.567	548	09/30/2020
912828J84	6191	U.S. Treasury		12/09/2016	5,000,000.00	4,949,050.00	4,995,278.87	1.375		1.472	365	03/31/2020
912828XE5	6192	U.S. Treasury		12/09/2016	5,000,000.00	4,948,050.00	4,997,901.89	1.500		1.537	426	05/31/2020
912828R44	6197	U.S. Treasury		12/13/2016	5,000,000.00	4,990,400.00	4,997,742.07	0.875		1.256	44	05/15/2019
912828SX9	6198	U.S. Treasury		12/13/2016	5,000,000.00	4,988,950.00	4,998,957.17	1.125		1.254	60	05/31/2019
912828S27	6216	U.S. Treasury		12/23/2016	10,000,000.00	9,756,600.00	9,814,186.55	1.125		1.993	821	06/30/2021
912828XH8	6217	U.S. Treasury		12/23/2016	5,000,000.00	4,952,350.00	4,994,732.49	1.625		1.712	456	06/30/2020
912828R85	6221	U.S. Treasury		12/27/2016	5,000,000.00	4,983,600.00	4,994,889.32	0.875		1.382	75	06/15/2019
912828R77	6284	U.S. Treasury		04/06/2017	5,000,000.00	4,905,300.00	4,958,014.00	1.375		1.779	791	05/31/2021
912828S43	6561	U.S. Treasury		09/29/2017	5,000,000.00	4,974,800.00	4,990,467.32	0.750		1.423	105	07/15/2019
912828T34	6590	U.S. Treasury		11/29/2017	5,000,000.00	4,866,000.00	4,899,066.38	1.125		1.967	913	09/30/2021
912828T67	6591	U.S. Treasury		11/29/2017	5,000,000.00	4,874,050.00	4,913,477.65	1.250		1.949	944	10/31/2021
912828S76	6592	U.S. Treasury		11/29/2017	5,000,000.00	4,870,900.00	4,907,607.28	1.125		1.949	852	07/31/2021
912828L32	6600	U.S. Treasury		12/08/2017	5,000,000.00	4,929,700.00	4,964,990.68	1.375		1.884	518	08/31/2020
912828XM7	6604	U.S. Treasury		12/11/2017	5,000,000.00	4,949,800.00	4,983,801.43	1.625		1.875	487	07/31/2020
912828H52	6611	U.S. Treasury		12/12/2017	5,000,000.00	4,951,350.00	4,975,713.64	1.250		1.846	305	01/31/2020
912828V31	6646	U.S. Treasury		02/06/2018	5,000,000.00	4,958,600.00	4,971,936.79	1.375		2.102	289	01/15/2020
912828W22	6647	U.S. Treasury		02/06/2018	5,000,000.00	4,954,500.00	4,967,861.98	1.375		2.128	320	02/15/2020
912828D80	6657	U.S. Treasury		02/12/2018	5,000,000.00	4,981,050.00	4,991,487.83	1.625		2.043	152	08/31/2019
9128282G4	6659	U.S. Treasury		02/12/2018	5,000,000.00	4,964,850.00	4,974,524.85	0.875		2.014	167	09/15/2019
9128282K5	6685	U.S. Treasury		04/06/2018	10,000,000.00	9,963,300.00	9,972,583.97	1.375		2.216	121	07/31/2019
912828VP2	6695	U.S. Treasury		04/12/2018	5,000,000.00	4,975,800.00	4,975,344.18	2.000		2.381	487	07/31/2020
912828D23	6724	U.S. Treasury		09/21/2018	5,000,000.00	4,996,700.00	4,996,924.49	1.625		2.404	29	04/30/2019
9128282X7	6730	U.S. Treasury		10/05/2018	5,000,000.00	4,972,850.00	4,968,501.52	1.375		2.663	182	09/30/2019
9128282X7	6731	U.S. Treasury		10/05/2018	5,000,000.00	4,972,850.00	4,968,600.26	1.375		2.659	182	09/30/2019
912828XS4	6732	U.S. Treasury		10/09/2018	5,000,000.00	4,990,000.00	4,989,733.57	1.250		2.514	60	05/31/2019
912828T59	6782	U.S. Treasury		01/15/2019	5,000,000.00	4,960,750.00	4,958,704.64	1.000		2.555	197	10/15/2019
912828F62	6783	U.S. Treasury		01/15/2019	5,000,000.00	4,972,050.00	4,969,338.64	1.500		2.569	213	10/31/2019
		Subtotal and Average	**183,663,266.47**		**170,000,000.00**	**168,326,900.00**	**169,054,410.45**			**1.890**	**351**	

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Treasury Discounts -Amortizing												
912796QR3	6719	U.S. Treasury		08/29/2018	5,000,000.00	4,964,600.00	4,964,900.00	2.340		2.411	108	07/18/2019
912796RA9	6725	U.S. Treasury		09/25/2018	5,000,000.00	4,946,100.00	4,943,283.33	2.490		2.572	164	09/12/2019
912796QH5	6728	U.S. Treasury		09/27/2018	5,000,000.00	4,983,050.00	4,982,702.78	2.395		2.460	52	05/23/2019
912796RJ0	6734	U.S. Treasury		11/08/2018	5,000,000.00	4,989,900.00	4,989,559.03	2.425		2.488	31	05/02/2019
912796RP6	6735	U.S. Treasury		11/13/2018	5,000,000.00	4,987,500.00	4,987,095.83	2.445		2.509	38	05/09/2019
912796QH5	6736	U.S. Treasury		11/27/2018	5,000,000.00	4,983,050.00	4,982,269.45	2.455		2.520	52	05/23/2019
912796RJ0	6738	U.S. Treasury		11/28/2018	5,000,000.00	4,989,900.00	4,989,580.56	2.420		2.479	31	05/02/2019
912796RR2	6739	U.S. Treasury		11/29/2018	5,000,000.00	4,980,750.00	4,979,800.70	2.465		2.531	59	05/30/2019
912796RP6	6742	U.S. Treasury		11/30/2018	5,000,000.00	4,987,500.00	4,987,122.22	2.440		2.501	38	05/09/2019
912796RJ0	6747	U.S. Treasury		12/03/2018	5,000,000.00	4,989,900.00	4,989,490.14	2.441		2.500	31	05/02/2019
912796RR2	6748	U.S. Treasury		12/04/2018	5,000,000.00	4,980,750.00	4,979,718.75	2.475		2.540	59	05/30/2019
912796RH4	6749	U.S. Treasury		12/04/2018	5,000,000.00	4,994,400.00	4,994,250.69	2.435		2.492	17	04/18/2019
912796RR2	6750	U.S. Treasury		12/04/2018	5,000,000.00	4,980,750.00	4,979,718.75	2.475		2.540	59	05/30/2019
912796QC6	6754	U.S. Treasury		12/06/2018	5,000,000.00	4,992,200.00	4,991,900.00	2.430		2.487	24	04/25/2019
912796RS0	6756	U.S. Treasury		12/07/2018	5,000,000.00	4,978,350.00	4,977,312.50	2.475		2.541	66	06/06/2019
912796RF8	6760	U.S. Treasury		12/07/2018	5,000,000.00	4,938,100.00	4,931,933.34	2.553		2.631	192	10/10/2019
912796RU5	6766	U.S. Treasury		12/13/2018	5,000,000.00	4,976,050.00	4,974,855.56	2.480		2.546	73	06/13/2019
912796RS0	6771	U.S. Treasury		12/18/2018	5,000,000.00	4,978,350.00	4,977,518.75	2.453		2.516	66	06/06/2019
912796RU5	6772	U.S. Treasury		12/19/2018	5,000,000.00	4,976,050.00	4,975,210.42	2.445		2.509	73	06/13/2019
912796RT8	6780	U.S. Treasury		01/04/2019	5,000,000.00	4,910,800.00	4,905,125.00	2.475		2.557	276	01/02/2020
912796RT8	6781	U.S. Treasury		01/04/2019	5,000,000.00	4,910,800.00	4,905,125.00	2.475		2.557	276	01/02/2020
912796RT8	6784	U.S. Treasury		01/17/2019	10,000,000.00	9,821,600.00	9,809,675.00	2.483		2.564	276	01/02/2020
912796SA8	6786	U.S. Treasury		01/24/2019	5,000,000.00	4,962,250.00	4,961,027.78	2.440		2.505	115	07/25/2019
912796SA8	6787	U.S. Treasury		01/24/2019	5,000,000.00	4,962,250.00	4,961,027.78	2.440		2.505	115	07/25/2019
912796RY7	6788	U.S. Treasury		02/04/2019	5,000,000.00	4,901,750.00	4,895,288.89	2.480		2.562	304	01/30/2020
912796RY7	6789	U.S. Treasury		02/04/2019	5,000,000.00	4,901,750.00	4,895,394.44	2.478		2.560	304	01/30/2020
912796RY7	6790	U.S. Treasury		02/04/2019	5,000,000.00	4,901,750.00	4,895,415.56	2.477		2.559	304	01/30/2020
912796SC4	6791	U.S. Treasury		02/12/2019	5,000,000.00	4,957,550.00	4,956,731.25	2.415		2.478	129	08/08/2019
912796SC4	6792	U.S. Treasury		02/13/2019	5,000,000.00	4,957,550.00	4,956,641.66	2.420		2.483	129	08/08/2019
912796SE0	6793	U.S. Treasury		02/25/2019	5,000,000.00	4,952,800.00	4,951,519.03	2.441		2.505	143	08/22/2019
912796SE0	6795	U.S. Treasury		02/26/2019	5,000,000.00	4,952,800.00	4,951,439.58	2.445		2.509	143	08/22/2019
912796SE0	6796	U.S. Treasury		02/26/2019	5,000,000.00	4,952,800.00	4,951,439.58	2.445		2.509	143	08/22/2019
912796RZ4	6797	U.S. Treasury		02/27/2019	5,000,000.00	4,966,750.00	4,966,193.05	2.410		2.466	101	07/11/2019
912796SF7	6798	U.S. Treasury		02/28/2019	5,000,000.00	4,950,900.00	4,948,958.33	2.450		2.515	150	08/29/2019
912796SF7	6799	U.S. Treasury		02/28/2019	5,000,000.00	4,950,900.00	4,949,062.50	2.445		2.510	150	08/29/2019
912796SG5	6807	U.S. Treasury		03/07/2019	5,000,000.00	4,948,500.00	4,946,358.34	2.460		2.526	157	09/05/2019

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Treasury Discounts -Amortizing												
912796SG5	6808	U.S. Treasury		03/07/2019	5,000,000.00	4,948,500.00	4,946,467.36	2.455		2.520	157	09/05/2019
912796SD2	6811	U.S. Treasury		03/08/2019	5,000,000.00	4,892,800.00	4,887,396.67	2.442		2.522	332	02/27/2020
912796SJ9	6818	U.S. Treasury		03/21/2019	5,000,000.00	4,943,700.00	4,942,168.75	2.435		2.500	171	09/19/2019
912796SJ9	6819	U.S. Treasury		03/21/2019	5,000,000.00	4,943,700.00	4,942,168.75	2.435		2.500	171	09/19/2019
		Subtotal and Average	**178,374,433.69**		**205,000,000.00**	**203,189,450.00**	**203,102,847.10**			**2.518**	**135**	
Federal Agency Coupon - Callables												
3133EF2L0	6063	Federal Farm Credit Bank		04/13/2016	5,000,000.00	4,947,000.00	5,000,000.00	1.400	AA	1.400	378	04/13/2020
3133EF3P0	6067	Federal Farm Credit Bank		04/20/2016	6,003,000.00	5,936,906.97	6,002,245.54	1.490	AA	1.500	476	07/20/2020
3133EGAE5	6088	Federal Farm Credit Bank		05/18/2016	5,000,000.00	4,955,300.00	4,998,825.93	1.360		1.388	323	02/18/2020
3133EGDW2	6099	Federal Farm Credit Bank		06/08/2016	5,000,000.00	4,950,900.00	5,000,000.00	1.520		1.520	434	06/08/2020
3133EGEU5	6101	Federal Farm Credit Bank		06/14/2016	5,000,000.00	4,933,700.00	5,000,000.00	1.540	AA	1.540	623	12/14/2020
3133EGHP3	6112	Federal Farm Credit Bank		06/29/2016	5,000,000.00	4,942,300.00	5,000,000.00	1.420		1.420	455	06/29/2020
3133EGJR7	6118	Federal Farm Credit Bank		07/05/2016	5,000,000.00	4,982,950.00	5,000,000.00	1.020	AAA	1.020	95	07/05/2019
3133EGA62	6158	Federal Farm Credit Bank		11/04/2016	5,000,000.00	4,965,750.00	4,999,366.30	1.160	AA	1.182	214	11/01/2019
3133EG4F9	6237	Federal Farm Credit Bank		01/19/2017	5,000,000.00	4,964,100.00	4,999,775.00	1.930	AA	1.933	659	01/19/2021
3133EHEJ8	6313	Federal Farm Credit Bank		04/18/2017	5,000,000.00	4,972,000.00	5,000,000.00	1.625	AAA	1.625	277	01/03/2020
3133EJCK3	6656	Federal Farm Credit Bank		02/12/2018	5,600,000.00	5,600,056.00	5,600,000.00	2.470	AA	2.470	683	02/12/2021
3130A7RA5	6068	Federal Home Loan Bank		04/22/2016	5,000,000.00	4,933,100.00	5,000,000.00	1.650		1.650	662	01/22/2021
3130AANA2	6240	Federal Home Loan Bank		01/30/2017	5,000,000.00	4,956,250.00	5,000,000.00	1.750	AA	1.750	486	07/30/2020
3130AB3T1	6342	Federal Home Loan Bank		04/24/2017	5,000,000.00	4,957,100.00	5,000,000.00	1.750	AA	1.750	480	07/24/2020
3130ABNQ5	6440	Federal Home Loan Bank		06/29/2017	5,000,000.00	4,946,200.00	4,996,901.11	1.625	AA	1.677	452	06/26/2020
3130ABVU7	6469	Federal Home Loan Bank		07/27/2017	5,000,000.00	4,947,950.00	5,000,000.00	1.625	AA	1.625	483	07/27/2020
3130AC6P4	6483	Federal Home Loan Bank		08/17/2017	5,000,000.00	4,962,600.00	5,000,000.00	2.160		2.160	1,234	08/17/2022
3130ABB21	6489	Federal Home Loan Bank		08/23/2017	5,000,000.00	4,982,750.00	4,999,601.73	1.375		1.400	116	07/26/2019
3130A6JG3	6525	Federal Home Loan Bank		09/21/2017	5,000,000.00	4,959,600.00	4,999,494.85	1.700	AA	1.710	379	04/14/2020
3130ACGC2	6548	Federal Home Loan Bank		09/27/2017	5,000,000.00	4,977,100.00	4,999,266.67	1.500	AA	1.531	179	09/27/2019
3130ACGC2	6549	Federal Home Loan Bank		09/27/2017	5,000,000.00	4,977,100.00	5,000,000.00	1.500	AA	1.500	179	09/27/2019
3130ACDU5	6563	Federal Home Loan Bank		09/29/2017	1,960,000.00	1,935,421.60	1,957,536.50	1.800	AA	1.859	820	06/29/2021
3130ACHQ0	6570	Federal Home Loan Bank		10/19/2017	5,000,000.00	4,948,800.00	4,997,933.33	1.750	AA	1.778	567	10/19/2020
3130ACKD5	6572	Federal Home Loan Bank		10/24/2017	5,000,000.00	4,955,050.00	5,000,000.00	2.250	AA	2.250	1,302	10/24/2022
3130ACN83	6578	Federal Home Loan Bank		10/30/2017	5,000,000.00	4,956,800.00	4,998,675.41	1.700	AA	1.724	410	05/15/2020
3130ACUK8	6587	Federal Home Loan Bank		11/28/2017	5,000,000.00	4,956,000.00	5,000,000.00	2.000		2.000	788	05/28/2021
3130ACV43	6602	Federal Home Loan Bank		12/08/2017	4,250,000.00	4,219,442.50	4,245,452.38	2.125		2.167	970	11/26/2021
3130ACNM2	6605	Federal Home Loan Bank		12/11/2017	5,000,000.00	4,941,050.00	4,986,271.37	2.280		2.362	1,304	10/26/2022
3130ACZE7	6609	Federal Home Loan Bank		12/12/2017	5,000,000.00	4,972,050.00	5,000,000.00	2.000		2.000	438	06/12/2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon - Callables												
3130ACN83	6621	Federal Home Loan Bank		12/19/2017	5,000,000.00	4,956,800.00	4,986,471.13	1.700	AA	1.947	410	05/15/2020
3130AD6W7	6630	Federal Home Loan Bank		01/05/2018	5,000,000.00	4,989,750.00	4,997,933.67	2.510	AA	2.522	1,368	12/29/2022
3130ADFV9	6642	Federal Home Loan Bank		01/29/2018	5,000,000.00	4,989,900.00	5,000,000.00	2.250		2.250	669	01/29/2021
3130ADC26	6643	Federal Home Loan Bank		01/29/2018	5,000,000.00	4,969,550.00	5,000,000.00	2.200	AA	2.200	669	01/29/2021
3130ADCP5	6669	Federal Home Loan Bank		03/07/2018	5,540,000.00	5,540,221.60	5,495,798.88	2.350	AA	2.650	1,030	01/25/2022
3130ADG48	6672	Federal Home Loan Bank		03/08/2018	5,000,000.00	4,986,650.00	4,976,107.20	2.250	AA	2.522	669	01/29/2021
3130ADU83	6677	Federal Home Loan Bank		03/22/2018	5,000,000.00	5,000,100.00	4,998,354.17	2.650	AA	2.667	721	03/22/2021
3130ADG48	6690	Federal Home Loan Bank		04/10/2018	5,000,000.00	4,986,650.00	4,975,545.09	2.250	AA	2.528	669	01/29/2021
3130AE4Y3	6700	Federal Home Loan Bank		04/30/2018	5,000,000.00	5,000,050.00	5,000,000.00	2.540		2.540	395	04/30/2020
3130AFZ59	6817	Federal Home Loan Bank		03/18/2019	5,000,000.00	5,003,300.00	5,000,000.00	2.500	AA	2.677	627	12/18/2020
3134G8VN6	6056	Federal Home Loan Mortgage Co.		03/31/2016	1,000,000.00	984,930.00	1,000,000.00	1.600		1.600	728	03/29/2021
3134G8W21	6059	Federal Home Loan Mortgage Co.		04/08/2016	7,000,000.00	6,942,250.00	7,000,000.00	1.375		1.375	273	12/30/2019
3134G9AP2	6069	Federal Home Loan Mortgage Co.		04/26/2016	4,540,000.00	4,521,567.60	4,540,000.00	1.200	AA	1.200	116	07/26/2019
3134G8WH8	6070	Federal Home Loan Mortgage Co.		04/27/2016	5,250,000.00	5,193,247.50	5,250,000.00	1.400	AA	1.400	392	04/27/2020
3134G9AH0	6072	Federal Home Loan Mortgage Co.		04/27/2016	5,000,000.00	4,952,050.00	5,000,000.00	1.300	AA	1.300	301	01/27/2020
3134G9AH0	6073	Federal Home Loan Mortgage Co.		04/27/2016	4,000,000.00	3,961,640.00	4,000,000.00	1.300	AA	1.300	301	01/27/2020
3134G9BA4	6074	Federal Home Loan Mortgage Co.		04/28/2016	4,250,000.00	4,192,497.50	4,250,000.00	1.370		1.370	484	07/28/2020
3134G9DF1	6080	Federal Home Loan Mortgage Co.		05/04/2016	5,000,000.00	4,955,750.00	5,000,000.00	1.410		1.410	309	02/04/2020
3134G9GS0	6093	Federal Home Loan Mortgage Co.		05/26/2016	5,000,000.00	4,975,450.00	5,000,000.00	1.250	AA	1.250	147	08/26/2019
3134G9UM7	6113	Federal Home Loan Mortgage Co.		06/30/2016	5,000,000.00	4,937,050.00	5,000,000.00	1.500	AA	1.730	821	06/30/2021
3134GATV6	6154	Federal Home Loan Mortgage Co.		11/01/2016	5,000,000.00	4,998,600.00	5,000,000.00	2.000	AA	1.385	210	10/28/2019
3134GA7A6	6265	Federal Home Loan Mortgage Co.		03/09/2017	5,000,000.00	4,978,250.00	5,000,000.00	1.500	AA	1.500	161	09/09/2019
3134GBAG7	6297	Federal Home Loan Mortgage Co.		04/11/2017	5,000,000.00	4,959,550.00	5,000,000.00	1.750	AA	1.750	455	06/29/2020
3134GBFV9	6354	Federal Home Loan Mortgage Co.		04/27/2017	5,000,000.00	4,990,550.00	5,000,000.00	2.250	AA	1.917	392	04/27/2020
3134GBTG7	6449	Federal Home Loan Mortgage Co.		07/03/2017	5,000,000.00	4,951,650.00	4,998,666.42	1.875	AA	1.889	728	03/29/2021
3134GBWE8	6454	Federal Home Loan Mortgage Co.		07/14/2017	5,000,000.00	4,975,350.00	4,997,873.68	1.750	AA	1.707	820	06/29/2021
3134GBUG5	6464	Federal Home Loan Mortgage Co.		07/21/2017	5,000,000.00	4,951,800.00	4,998,412.10	1.625		1.651	455	06/29/2020
3134GBB35	6477	Federal Home Loan Mortgage Co.		08/10/2017	5,000,000.00	4,950,150.00	5,000,000.00	1.700	AA	1.700	497	08/10/2020
3134GBE65	6498	Federal Home Loan Mortgage Co.		08/30/2017	5,000,000.00	4,956,150.00	5,000,000.00	2.050	AA	2.050	1,243	08/26/2022
3134GBM33	6547	Federal Home Loan Mortgage Co.		09/27/2017	5,000,000.00	4,975,750.00	4,999,266.67	1.500	AA	1.531	179	09/27/2019
3134GBL83	6550	Federal Home Loan Mortgage Co.		09/27/2017	5,000,000.00	4,959,050.00	5,000,000.00	1.600		1.600	361	03/27/2020
3134GBN32	6556	Federal Home Loan Mortgage Co.		09/28/2017	4,100,000.00	4,058,221.00	4,098,980.69	1.700	AA	1.717	546	09/28/2020
3134GBF64	6557	Federal Home Loan Mortgage Co.		09/28/2017	5,000,000.00	4,941,550.00	5,000,000.00	1.600	AA	1.600	546	09/28/2020
3134GBN40	6562	Federal Home Loan Mortgage Co.		09/29/2017	5,000,000.00	4,951,800.00	5,000,000.00	1.625	AA	1.625	455	06/29/2020
3134GBH21	6564	Federal Home Loan Mortgage Co.		09/29/2017	5,000,000.00	4,949,700.00	4,994,520.37	1.700	AA	1.776	547	09/29/2020
3134GBP89	6575	Federal Home Loan Mortgage Co.		10/26/2017	5,000,000.00	4,952,200.00	5,000,000.00	1.850		1.850	756	04/26/2021

County Pool 2018-2019
Portfolio Management
Portfolio Details - Investments
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Federal Agency Coupon - Callables												
3134GB3B6	6596	Federal Home Loan Mortgage Co.		12/07/2017	5,000,000.00	4,957,900.00	4,997,192.62	2.000	AA	2.031	697	02/26/2021
3134GB7G1	6624	Federal Home Loan Mortgage Co.		12/21/2017	5,000,000.00	4,982,450.00	5,000,000.00	2.250		2.200	1,360	12/21/2022
3134GB5W8	6626	Federal Home Loan Mortgage Co.		12/28/2017	5,000,000.00	4,981,750.00	5,000,000.00	2.050		2.050	819	06/28/2021
3134GSAC9	6627	Federal Home Loan Mortgage Co.		12/28/2017	5,000,000.00	4,968,350.00	5,000,000.00	2.050		2.050	637	12/28/2020
3134GBX80	6648	Federal Home Loan Mortgage Co.		02/07/2018	5,000,000.00	4,956,700.00	4,940,807.22	2.300	AA	2.650	1,323	11/14/2022
3134GSCD5	6652	Federal Home Loan Mortgage Co.		02/08/2018	5,000,000.00	5,000,200.00	4,966,525.39	2.550	AA	2.738	1,400	01/30/2023
3134GSCM5	6664	Federal Home Loan Mortgage Co.		02/28/2018	7,850,000.00	7,850,706.50	7,832,818.97	2.700	AA	2.760	1,429	02/28/2023
3134G9ZN0	6679	Federal Home Loan Mortgage Co.		03/28/2018	5,000,000.00	4,976,250.00	4,962,951.97	1.500	AA	2.520	456	06/30/2020
3134GTAS2	6825	Federal Home Loan Mortgage Co.		03/25/2019	5,000,000.00	5,000,000.00	5,000,000.00	2.500		2.500	1,089	03/25/2022
3134GTAW3	6830	Federal Home Loan Mortgage Co.		03/27/2019	5,000,000.00	4,995,565.00	5,000,000.00	2.550		2.550	1,822	03/27/2024
3136G3MG7	6085	Federal Nat'l Mtg. Assoc.		05/18/2016	5,000,000.00	4,945,800.00	5,000,000.00	1.500		1.500	413	05/18/2020
3136G3MN2	6092	Federal Nat'l Mtg. Assoc.		05/24/2016	5,000,000.00	4,992,900.00	5,000,000.00	1.500	AA	1.250	53	05/24/2019
3136G3MH5	6098	Federal Nat'l Mtg. Assoc.		06/07/2016	5,000,000.00	4,990,050.00	5,000,000.00	1.250	AA	1.250	59	05/30/2019
3136G3TN5	6114	Federal Nat'l Mtg. Assoc.		06/30/2016	5,000,000.00	4,954,100.00	5,000,000.00	1.210		1.210	273	12/30/2019
3136G3F59	6135	Federal Nat'l Mtg. Assoc.		07/26/2016	5,000,000.00	4,995,150.00	5,000,000.00	1.060		1.060	25	04/26/2019
3136G3ZT5	6136	Federal Nat'l Mtg. Assoc.		07/26/2016	5,000,000.00	4,992,600.00	5,000,000.00	2.000		1.245	116	07/26/2019
3135G0M91	6138	Federal Nat'l Mtg. Assoc.		08/10/2016	5,000,000.00	4,978,950.00	4,999,536.12	1.125	AA	1.155	116	07/26/2019
3136G3U86	6143	Federal Nat'l Mtg. Assoc.		08/25/2016	5,000,000.00	4,925,650.00	5,000,000.00	1.300		1.300	512	08/25/2020
3136G4DR1	6152	Federal Nat'l Mtg. Assoc.		10/17/2016	5,000,000.00	4,962,800.00	4,998,638.89	1.100	AA	1.151	199	10/17/2019
3136G4GU1	6177	Federal Nat'l Mtg. Assoc.		11/30/2016	5,000,000.00	4,963,350.00	4,996,299.53	1.400		1.517	238	11/25/2019
3136G3K53	6178	Federal Nat'l Mtg. Assoc.		12/02/2016	5,000,000.00	4,979,950.00	4,996,533.85	1.260	AA	1.471	123	08/02/2019
3136G4JR5	6223	Federal Nat'l Mtg. Assoc.		12/27/2016	5,000,000.00	4,960,700.00	5,000,000.00	1.625		1.625	361	03/27/2020
3136G4KD4	6224	Federal Nat'l Mtg. Assoc.		12/29/2016	5,000,000.00	4,958,500.00	5,000,000.00	1.750	AA	1.750	455	06/29/2020
3136G4KD4	6225	Federal Nat'l Mtg. Assoc.		12/29/2016	5,000,000.00	4,958,500.00	4,998,222.22	1.750	AA	1.780	455	06/29/2020
3136G4KW2	6247	Federal Nat'l Mtg. Assoc.		02/14/2017	3,200,000.00	3,178,912.00	3,200,000.00	1.650		1.650	319	02/14/2020
3136G4KQ5	6252	Federal Nat'l Mtg. Assoc.		03/03/2017	5,000,000.00	4,968,650.00	4,997,469.15	1.650	AA	1.715	291	01/17/2020
3136G4GF4	6586	Federal Nat'l Mtg. Assoc.		11/27/2017	3,700,000.00	3,631,957.00	3,648,831.05	1.550	AA	2.112	941	10/28/2021
3136G4RH8	6644	Federal Nat'l Mtg. Assoc.		01/30/2018	5,000,000.00	4,984,300.00	4,998,020.43	2.200	AA	2.223	667	01/27/2021
3136G3Y25	6649	Federal Nat'l Mtg. Assoc.		02/07/2018	5,000,000.00	4,908,650.00	4,891,830.99	1.500	AA	2.446	877	08/25/2021
		Subtotal and Average	**468,703,206.25**		**463,243,000.00**	**460,076,392.77**	**462,764,954.59**			**1.806**	**564**	
		Total and Average	**1,526,475,545.24**		**1,667,207,891.00**	**1,657,569,279.09**	**1,661,882,828.96**			**2.113**	**279**	

County Pool 2018-2019
Portfolio Management
Portfolio Details - Cash
March 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity
		Average Balance	**0.00**								**0**
		Total Cash and Investments	**1,526,475,545.24**		**1,667,207,891.00**	**1,657,569,279.09**	**1,661,882,828.96**			**2.113**	**279**

Santa Barbara County

Monthly
Maturity Report
Sorted by Maturity Date
Amounts due during January 1, 2019 - March 31, 2019

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
313312AB6	6676	1	AFD	FCDN	5,000,000.00	01/02/2019	03/22/2018	2.050	5,000,000.00	0.00	5,000,000.00	0.00
3133EG2S3	6227	1	FAC	FFCB	5,000,000.00	01/03/2019	01/03/2017	1.280	5,000,000.00	32,000.00	5,032,000.00	32,000.00
313384AD1	6629	1	AFD	FHDN	5,000,000.00	01/04/2019	01/05/2018	1.800	5,000,000.00	0.00	5,000,000.00	0.00
912796QS1	6712	1	ATD	USTR	10,000,000.00	01/10/2019	07/16/2018		10,000,000.00	0.00	10,000,000.00	0.00
912828N63	6639	1	TRC	USTR	5,000,000.00	01/15/2019	01/18/2018	1.125	5,000,000.00	28,125.00	5,028,125.00	28,125.00
3130AAE46	6640	1	FAC	FHLB	5,000,000.00	01/16/2019	01/18/2018	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
3133EG3X1	6235	1	FAC	FFCB	5,000,000.00	01/17/2019	01/17/2017	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
3133EFVQ7	6571	1	FAC	FFCB	5,000,000.00	01/22/2019	10/24/2017	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
912796QU6	6720	1	ATD	USTR	5,000,000.00	01/24/2019	09/14/2018	2.190	5,000,000.00	0.00	5,000,000.00	0.00
912796QU6	6723	1	ATD	USTR	10,000,000.00	01/24/2019	09/20/2018	2.210	10,000,000.00	0.00	10,000,000.00	0.00
3136G2WV5	6034	1	MC1	FNMA	5,000,000.00	01/25/2019	01/29/2016	1.220	5,000,000.00	30,500.00	5,030,500.00	30,500.00
3133EFWX1	6033	1	MC1	FFCB	5,000,000.00	01/28/2019	01/28/2016	1.270	5,000,000.00	31,750.00	5,031,750.00	31,750.00
313384BE8	6741	1	AFD	FHDN	5,000,000.00	01/29/2019	11/30/2018	2.330	5,000,000.00	0.00	5,000,000.00	0.00
3134G92B2	6139	1	MC1	FHLMC	5,000,000.00	01/30/2019	08/18/2016	0.950	5,000,000.00	23,750.00	5,023,750.00	23,750.00
3134G92B2	6182	1	MC1	FHLMC	5,000,000.00	01/30/2019	12/07/2016	0.950	5,000,000.00	23,750.00	5,023,750.00	23,750.00
3134G92B2	6584	1	MC1	FHLMC	5,000,000.00	01/30/2019	11/17/2017	0.950	5,000,000.00	23,750.00	5,023,750.00	23,750.00
313384BG3	6683	1	AFD	FHDN	6,919,000.00	01/31/2019	04/05/2018	2.040	6,919,000.00	0.00	6,919,000.00	0.00
912828SD3	5973	1	TRC	USTR	5,000,000.00	01/31/2019	11/10/2015	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
912828SD3	6291	1	TRC	USTR	5,000,000.00	01/31/2019	04/10/2017	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
912796PP8	6689	1	ATD	USTR	5,000,000.00	01/31/2019	04/10/2018	1.930	5,000,000.00	0.00	5,000,000.00	0.00
3133EG5Q4	6270	1	FAC	FFCB	5,300,000.00	02/01/2019	03/29/2017	1.300	5,300,000.00	34,450.00	5,334,450.00	34,450.00
313312BP4	6678	1	AFD	FCDN	5,000,000.00	02/07/2019	03/23/2018	2.050	5,000,000.00	0.00	5,000,000.00	0.00
313384BP3	6746	1	AFD	FHDN	5,000,000.00	02/07/2019	12/03/2018	2.360	5,000,000.00	0.00	5,000,000.00	0.00
912796QW2	6722	1	ATD	USTR	5,000,000.00	02/07/2019	09/19/2018	2.230	5,000,000.00	0.00	5,000,000.00	0.00
313312BQ2	6751	1	AFD	FCDN	5,000,000.00	02/08/2019	12/04/2018	2.350	5,000,000.00	0.00	5,000,000.00	0.00
313384BT5	6761	1	AFD	FHDN	5,000,000.00	02/11/2019	12/10/2018	2.390	5,000,000.00	0.00	5,000,000.00	0.00
3133EFZN0	6040	1	FAC	FFCB	4,000,000.00	02/12/2019	02/12/2016	1.030	4,000,000.00	20,600.00	4,020,600.00	20,600.00
912796QX0	6716	1	ATD	USTR	5,000,000.00	02/14/2019	08/28/2018	2.170	5,000,000.00	0.00	5,000,000.00	0.00
912796QX0	6717	1	ATD	USTR	5,000,000.00	02/14/2019	08/28/2018	2.170	5,000,000.00	0.00	5,000,000.00	0.00
912828P53	6290	1	TRC	USTR	5,000,000.00	02/15/2019	04/10/2017	0.750	5,000,000.00	18,750.00	5,018,750.00	18,750.00
313384CB3	6703	1	AFD	FHDN	5,000,000.00	02/19/2019	05/30/2018	2.150	5,000,000.00	0.00	5,000,000.00	0.00
313384CD9	6702	1	AFD	FHDN	10,000,000.00	02/21/2019	05/30/2018	2.150	10,000,000.00	0.00	10,000,000.00	0.00
3130AAUP1	6251	1	FAC	FHLB	5,000,000.00	02/25/2019	03/02/2017	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
3135G0J38	6049	1	MC1	FNMA	5,000,000.00	02/26/2019	02/26/2016	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
3133EHSV6	6468	1	FAC	FFCB	5,000,000.00	02/27/2019	07/27/2017	1.350	5,000,000.00	33,750.00	5,033,750.00	33,750.00

Monthly
Maturity Report
Amounts due during January 1, 2019 - March 31, 2019

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
912828W30	6560	1	TRC	USTR	10,000,000.00	02/28/2019	09/29/2017	1.125	10,000,000.00	56,250.00	10,056,250.00	56,250.00
912828SH4	6666	1	TRC	USTR	5,000,000.00	02/28/2019	03/02/2018	1.375	5,000,000.00	34,375.00	5,034,375.00	34,375.00
912796PT0	6743	1	ATD	USTR	5,000,000.00	02/28/2019	11/30/2018	2.315	5,000,000.00	0.00	5,000,000.00	0.00
313384CM9	6770	1	AFD	FHDN	5,000,000.00	03/01/2019	12/17/2018	2.385	5,000,000.00	0.00	5,000,000.00	0.00
313312CQ1	6763	1	AFD	FCDN	5,000,000.00	03/04/2019	12/11/2018	2.390	5,000,000.00	0.00	5,000,000.00	0.00
313384CR8	6670	1	AFD	FHDN	5,000,000.00	03/05/2019	03/07/2018	2.060	5,000,000.00	0.00	5,000,000.00	0.00
313384CS6	6767	1	AFD	FHDN	10,000,000.00	03/06/2019	12/13/2018	2.390	10,000,000.00	0.00	10,000,000.00	0.00
313384CT4	6745	1	AFD	FHDN	5,000,000.00	03/07/2019	11/30/2018	2.370	5,000,000.00	0.00	5,000,000.00	0.00
912796QZ5	6721	1	ATD	USTR	5,000,000.00	03/07/2019	09/19/2018	2.280	5,000,000.00	0.00	5,000,000.00	0.00
912796QZ5	6755	1	ATD	USTR	5,000,000.00	03/07/2019	12/06/2018	2.360	5,000,000.00	0.00	5,000,000.00	0.00
313384CZ0	6673	1	AFD	FHDN	5,000,000.00	03/13/2019	03/15/2018	2.080	5,000,000.00	0.00	5,000,000.00	0.00
313384DA4	6674	1	AFD	FHDN	5,000,000.00	03/14/2019	03/19/2018	2.100	5,000,000.00	0.00	5,000,000.00	0.00
313384DE6	6762	1	AFD	FHDN	5,000,000.00	03/18/2019	12/11/2018	2.400	5,000,000.00	0.00	5,000,000.00	0.00
3130ADVE9	6675	1	FAC	FHLB	5,000,000.00	03/21/2019	03/21/2018	2.125	5,000,000.00	53,125.00	5,053,125.00	53,125.00
313396DH3	6758	1	AFD	FMCDN	5,000,000.00	03/21/2019	12/07/2018	2.370	5,000,000.00	0.00	5,000,000.00	0.00
313384DM8	6757	1	AFD	FHDN	5,000,000.00	03/25/2019	12/07/2018	2.390	5,000,000.00	0.00	5,000,000.00	0.00
912796PX1	6737	1	ATD	USTR	5,000,000.00	03/28/2019	11/28/2018	2.364	5,000,000.00	0.00	5,000,000.00	0.00
3134G8TV1	6057	1	MC1	FHLMC	2,000,000.00	03/29/2019	03/31/2016	1.220	2,000,000.00	12,200.00	2,012,200.00	12,200.00
			Total Maturities		**288,219,000.00**				**288,219,000.00**	**675,875.00**	**288,894,875.00**	**675,875.00**

Monthly
Purchases Report
Sorted by Fund - Fund
January 1, 2019 - March 31, 2019

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
Treasurer's Pooled Investments													
313384HW2	6779	1	AFD	FHLBDN	3,000,000.00	01/02/2019	07/08 - At Maturity	2,961,509.17		2.470	07/08/2019	2.536	2,979,828.34
912796RT8	6780	1	ATD	USTR	5,000,000.00	01/04/2019	01/02 - At Maturity	4,875,218.75		2.475	01/02/2020	2.557	4,905,125.00
912796RT8	6781	1	ATD	USTR	5,000,000.00	01/04/2019	01/02 - At Maturity	4,875,218.75		2.475	01/02/2020	2.557	4,905,125.00
912828T59	6782	1	TRC	USTR	5,000,000.00	01/15/2019	04/15 - 10/15	4,942,773.44	12,637.36	1.000	10/15/2019	2.555	4,958,704.64
912828F62	6783	1	TRC	USTR	5,000,000.00	01/15/2019	04/30 - 10/31	4,958,398.44	15,745.86	1.500	10/31/2019	2.569	4,969,338.64
912796RT8	6784	1	ATD	USTR	10,000,000.00	01/17/2019	01/02 - At Maturity	9,758,645.83		2.483	01/02/2020	2.564	9,809,675.00
313312QT0	6785	1	AFD	FCDN	10,000,000.00	01/18/2019	12/20 - At Maturity	9,764,800.00		2.520	12/20/2019	2.601	9,815,900.00
912796SA8	6786	1	ATD	USTR	5,000,000.00	01/24/2019	07/25 - At Maturity	4,938,322.22		2.440	07/25/2019	2.505	4,961,027.78
912796SA8	6787	1	ATD	USTR	5,000,000.00	01/24/2019	07/25 - At Maturity	4,938,322.22		2.440	07/25/2019	2.505	4,961,027.78
912796RY7	6788	1	ATD	USTR	5,000,000.00	02/04/2019	01/30 - At Maturity	4,876,000.00		2.480	01/30/2020	2.562	4,895,288.89
912796RY7	6789	1	ATD	USTR	5,000,000.00	02/04/2019	01/30 - At Maturity	4,876,125.00		2.478	01/30/2020	2.560	4,895,394.44
912796RY7	6790	1	ATD	USTR	5,000,000.00	02/04/2019	01/30 - At Maturity	4,876,150.00		2.477	01/30/2020	2.559	4,895,415.56
912796SC4	6791	1	ATD	USTR	5,000,000.00	02/12/2019	08/08 - At Maturity	4,940,631.25		2.415	08/08/2019	2.478	4,956,731.25
912796SC4	6792	1	ATD	USTR	5,000,000.00	02/13/2019	08/08 - At Maturity	4,940,844.44		2.420	08/08/2019	2.483	4,956,641.66
912796SE0	6793	1	ATD	USTR	5,000,000.00	02/25/2019	08/22 - At Maturity	4,939,653.06		2.441	08/22/2019	2.505	4,951,519.03
313312MN7	6794	1	AFD	FCDN	10,000,000.00	02/26/2019	10/04 - At Maturity	9,848,444.44		2.480	10/04/2019	2.548	9,871,866.66
912796SE0	6795	1	ATD	USTR	5,000,000.00	02/26/2019	08/22 - At Maturity	4,939,893.75		2.445	08/22/2019	2.509	4,951,439.58
912796SE0	6796	1	ATD	USTR	5,000,000.00	02/26/2019	08/22 - At Maturity	4,939,893.75		2.445	08/22/2019	2.509	4,951,439.58
912796RZ4	6797	1	ATD	USTR	5,000,000.00	02/27/2019	07/11 - At Maturity	4,955,147.22		2.410	07/11/2019	2.466	4,966,193.05
912796SF7	6798	1	ATD	USTR	5,000,000.00	02/28/2019	08/29 - At Maturity	4,938,069.44		2.450	08/29/2019	2.515	4,948,958.33
912796SF7	6799	1	ATD	USTR	5,000,000.00	02/28/2019	08/29 - At Maturity	4,938,195.83		2.445	08/29/2019	2.510	4,949,062.50
313384HZ5	6802	1	AFD	FHDN	5,000,000.00	03/04/2019	07/11 - At Maturity	4,956,820.83		2.410	07/11/2019	2.465	4,966,193.05
313384HW2	6800	1	AFD	FHLBDN	5,000,000.00	03/04/2019	07/08 - At Maturity	4,957,825.00		2.410	07/08/2019	2.464	4,967,197.22
313384HR3	6801	1	AFD	FHLBDN	5,000,000.00	03/04/2019	07/03 - At Maturity	4,959,498.61		2.410	07/03/2019	2.463	4,968,870.83
313396HK2	6803	1	AFD	FMCDN	10,000,000.00	03/05/2019	06/27 - At Maturity	9,923,683.33		2.410	06/27/2019	2.462	9,941,758.33
313384HP7	6804	1	AFD	FHDN	5,000,000.00	03/06/2019	07/01 - At Maturity	4,960,837.50		2.410	07/01/2019	2.463	4,969,540.28
313396JM6	6805	1	AFD	FMCDN	5,000,000.00	03/06/2019	07/23 - At Maturity	4,953,280.56		2.420	07/23/2019	2.477	4,962,019.45
313396JN4	6806	1	AFD	FMCDN	5,000,000.00	03/06/2019	07/24 - At Maturity	4,952,944.44		2.420	07/24/2019	2.477	4,961,683.33
313384JW0	6809	1	AFD	FHDN	5,000,000.00	03/07/2019	08/01 - At Maturity	4,950,591.67		2.420	08/01/2019	2.478	4,958,994.45
313384JA8	6810	1	AFD	FHDN	5,000,000.00	03/07/2019	07/12 - At Maturity	4,957,313.89		2.420	07/12/2019	2.475	4,965,716.67
912796SG5	6807	1	ATD	USTR	5,000,000.00	03/07/2019	09/05 - At Maturity	4,937,816.67		2.460	09/05/2019	2.526	4,946,358.34
912796SG5	6808	1	ATD	USTR	5,000,000.00	03/07/2019	09/05 - At Maturity	4,937,943.06		2.455	09/05/2019	2.520	4,946,467.36

Monthly
Purchases Report
January 1, 2019 - March 31, 2019

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
Treasurer's Pooled Investments													
912796SD2	6811	1	ATD	USTR	5,000,000.00	03/08/2019	02/27 - At Maturity	4,879,256.67		2.442	02/27/2020	2.522	4,887,396.67
313384HP7	6812	1	AFD	FHDN	5,000,000.00	03/11/2019	07/01 - At Maturity	4,962,277.78		2.425	07/01/2019	2.477	4,969,350.70
313384KQ1	6815	1	AFD	FHDN	5,000,000.00	03/11/2019	08/19 - At Maturity	4,945,662.50		2.430	08/19/2019	2.491	4,952,750.00
313384HQ5	6813	1	AFD	FHLBDN	5,000,000.00	03/11/2019	07/02 - At Maturity	4,961,940.97		2.425	07/02/2019	2.478	4,969,013.89
313384KA6	6816	1	AFD	FHDN	5,000,000.00	03/12/2019	08/05 - At Maturity	4,950,826.39		2.425	08/05/2019	2.483	4,957,562.50
3130AFZ59	6817	1	MC1	FHLB	5,000,000.00	03/18/2019	06/18 - Quarterly	5,000,000.00		2.500	12/18/2020	2.677	5,000,000.00
912796SJ9	6818	1	ATD	USTR	5,000,000.00	03/21/2019	09/19 - At Maturity	4,938,448.61		2.435	09/19/2019	2.500	4,942,168.75
912796SJ9	6819	1	ATD	USTR	5,000,000.00	03/21/2019	09/19 - At Maturity	4,938,448.61		2.435	09/19/2019	2.500	4,942,168.75
313312EV8	6824	1	AFD	FCDN	5,000,000.00	03/22/2019	04/26 - At Maturity	4,988,187.50		2.430	04/26/2019	2.470	4,991,562.50
313384GL7	6822	1	AFD	FHDN	5,000,000.00	03/22/2019	06/04 - At Maturity	4,975,127.78		2.420	06/04/2019	2.466	4,978,488.89
313384GD5	6823	1	AFD	FHDN	5,000,000.00	03/22/2019	05/28 - At Maturity	4,977,480.56		2.420	05/28/2019	2.465	4,980,841.67
313384HR3	6820	1	AFD	FHLBDN	5,000,000.00	03/22/2019	07/03 - At Maturity	4,965,309.03		2.425	07/03/2019	2.476	4,968,677.09
313384HQ5	6821	1	AFD	FHLBDN	5,000,000.00	03/22/2019	07/02 - At Maturity	4,965,645.83		2.425	07/02/2019	2.476	4,969,013.89
3134GTAS2	6825	1	MC1	FHLMC	5,000,000.00	03/25/2019	09/25 - 03/25	5,000,000.00		2.500	03/25/2022	2.500	5,000,000.00
313312EZ9	6826	1	AFD	FCDN	5,000,000.00	03/26/2019	04/30 - At Maturity	4,988,284.72		2.410	04/30/2019	2.449	4,990,293.05
313384HL6	6827	1	AFD	FHDN	10,000,000.00	03/26/2019	06/28 - At Maturity	9,936,680.56		2.425	06/28/2019	2.474	9,940,722.23
313384HG7	6829	1	AFD	FHLBDN	5,000,000.00	03/26/2019	06/24 - At Maturity	4,969,687.50		2.425	06/24/2019	2.474	4,971,708.33
3134GTAW3	6830	1	MC1	FHLMC	5,000,000.00	03/27/2019	09/27 - 03/27	5,000,000.00		2.550	03/27/2024	2.550	5,000,000.00
3133EE5Z9	6833	1	FAC	FFCB	5,528,000.00	03/28/2019	08/04 - 02/04	5,483,776.00	14,511.00	1.750	08/04/2020	2.355	5,484,048.99
313384JU4	6832	1	AFD	FHDN	10,000,000.00	03/28/2019	07/30 - At Maturity	9,916,816.67		2.415	07/30/2019	2.469	9,919,500.00
313384HT9	6834	1	AFD	FHDN	5,000,000.00	03/28/2019	07/05 - At Maturity	4,966,793.75		2.415	07/05/2019	2.465	4,968,135.42
313396ME0	6831	1	AFD	FMCDN	5,000,000.00	03/28/2019	09/26 - At Maturity	4,939,838.89		2.380	09/26/2019	2.443	4,941,161.11
				Subtotal	**298,528,000.00**			**295,121,302.88**	**42,894.22**				**295,735,066.45**
				Total Purchases	**298,528,000.00**			**295,121,302.88**	**42,894.22**				**295,735,066.45**

Santa Barbara County

Monthly
Sales/Call Report
Sorted by Maturity Date - Fund
January 1, 2019 - March 31, 2019

CUSIP	Investment #	Fund	Issuer / Sec. Type	Purchase Date	Redem. Date / Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
08/28/2020												
3134GA5Z3	6264	1	FHLMC MC1	03/08/2017	02/28/2019 08/28/2020	5,750,000.00	2.000 V	5,746,522.40	5,750,000.00	57,500.00	5,807,500.00 Call	60,977.60
					Subtotal	**5,750,000.00**		**5,746,522.40**	**5,750,000.00**	**57,500.00**	**5,807,500.00**	**60,977.60**
02/26/2021												
3136G2YL5	6285	1	FNMA MC1	04/06/2017	02/26/2019 02/26/2021	5,000,000.00	2.000 V	4,996,785.71	5,000,000.00	50,000.00	5,050,000.00 Call	53,214.29
					Subtotal	**5,000,000.00**		**4,996,785.71**	**5,000,000.00**	**50,000.00**	**5,050,000.00**	**53,214.29**
					Total Sales	**10,750,000.00**		**10,743,308.11**	**10,750,000.00**	**107,500.00**	**10,857,500.00**	**114,191.89**

V - Security with variable rate change.