**NEW ISSUE - FULL BOOK-ENTRY** **RATING: Standard & Poor's: "AAA"**
**See "RATING" herein**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, based upon existing laws, regulations, rulings, court decisions, and assuming (among other things) compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

# $31,605,000
# MILL VALLEY SCHOOL DISTRICT
**(Marin County, California)**
# 2020 Refunding General Obligation Bonds
**(Federally Taxable)**

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

***Authority and Purposes.*** The Mill Valley School District (Marin County, California) 2020 Refunding General Obligation Bonds (Federally Taxable) (the "Bonds") are being issued by the Mill Valley School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on March 12, 2020 (the "Bond Resolution"). The Bonds are being issued for the purpose of refinancing certain outstanding general obligation bonds of the District, and to pay costs of issuing the Bonds. See "THE BONDS – Authority for Issuance" and "THE REFINANCING PLAN" herein.

***Security.*** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by Marin County (the "County"). The County Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

***Book-Entry Only.*** The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

***Payments.*** The Bonds will be dated the date of delivery. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2020. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

***Redemption.*** The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption."

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**MATURITY SCHEDULE**
(See inside cover)

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***Cover Page.*** This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Certain matters will be passed on the Underwriter by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California.. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 13, 2020.*

**RAYMOND JAMES®**

The date of this Official Statement is April 17, 2020.

# MATURITY SCHEDULE

## MILL VALLEY SCHOOL DISTRICT
**(Marin County, California)**
## 2020 Refunding General Obligation Bonds
**(Federally Taxable)**

**Base CUSIP†: 600038**

**$1,035,000 – 1.300% Term Bonds due August 1, 2022; Yield: 1.300%; Price: 100.000%; CUSIP†: LY7**

**$1,420,000 – 1.557% Term Bonds due August 1, 2025; Yield: 1.557%; Price: 100.000%; CUSIP†: LZ4**

**$1,055,000 – 1.862% Term Bonds due August 1, 2027; Yield: 1.862%; Price: 100.000%; CUSIP†: MA8**

**$1,510,000 – 2.080% Term Bonds due August 1, 2030; Yield: 2.080%; Price: 100.000%; CUSIP†: MB6**

**$6,585,000 – 2.510% Term Bonds due August 1, 2035; Yield: 2.510%; Price: 100.000%; CUSIP†: MC4**

**$20,000,000 – 2.858% Term Bonds due August 1, 2039; Yield: 2.858%; Price: 100.000%; CUSIP†: MD2**

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*† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

***Use of Official Statement***. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

***No Offering Except by This Official Statement***. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

***No Unlawful Offers or Solicitations***. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

***Information in Official Statement***. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

***Estimates and Forecasts***. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

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

***Stabilization of and Changes to Offering Prices***. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

***Document Summaries***. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

***No Securities Laws Registration***. The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

***Effective Date***. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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

# MILL VALLEY SCHOOL DISTRICT
## COUNTY OF MARIN
## STATE OF CALIFORNIA



### DISTRICT ADMINISTRATION

Kimberly Berman, Ed.D., *Superintendent*
Michele Rollins Ed.D.*, Assistant Superintendent, Business Services*

### FINANCIAL ADVISOR

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

### BOND and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
*San Francisco, California*

### BOND REGISTRAR, TRANSFER AGENT, PAYING AGENT and ESCROW AGENT

The Bank of New York Mellon Trust Company, N.A.,
*Dallas, Texas*

### ESCROW VERIFICATION

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

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**$31,605,000**
**MILL VALLEY SCHOOL DISTRICT**
**(Marin County, California)**
**2020 Refunding General Obligation Bonds**
**(Federally Taxable)**

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the refunding general obligation bonds captioned above (the **"Bonds"**) by the Mill Valley School District (the **"District"**), Marin County (the **"County"**), in the State of California (the **"State"**).

## INTRODUCTION

*This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

***The District***. General. The District includes approximately 21 square miles in the southern part of Marin County (the "County") and provides educational services for grades K-8 to the residents of the City of Mill Valley (the "City") and portions of the unincorporated County near the City. The District operates five elementary schools and one middle school. The District's enrollment for 2019-20 is 2,835 students. The District's total assessed value for fiscal year 2019-20 is $12,379,884,272. See "APPENDIX A – Audited Financial Statements of the District for Fiscal Year Ending June 30, 2019" and "APPENDIX B – General and Financial Information About the District" for general and financial information regarding the District, and "APPENDIX C – General Information About the City of Mill Valley and the County of Marin," for demographic and economic information regarding the City and the County.

Basic Aid/Community Funded District. For purposes of education funding, for Fiscal Year 2019-20, the District is a "**Community Funded District**," meaning that the District's share of local property taxes exceeds its funding entitlement under the State's education funding formula known as the Local Control Funding Formula (the "LCFF", as described in Appendix B hereto). As such, the District is not limited to funding derived from the State, but instead derives most if its funding from its share of local property taxes.

***Purposes.*** The net proceeds of the Bonds will be used to refinance on an advance basis certain maturities of the District's outstanding General Obligation Bonds, Election of 2009, Series B (the **"Prior Bonds"** and with respect to those maturities to be refunded, the **"Refunded Bonds"**), and to pay related costs of issuance. See "THE REFINANCING PLAN" herein.

***Authority for Issuance of the Bonds.*** The Bonds are being issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the **"Bond Law"**), and pursuant to a resolution adopted by the Board of Trustees of the District on March 12, 2020 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

***Payment and Registration of the Bonds***. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX F – DTC and the Book-Entry Only System."

***Redemption*.** The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption."

***Security and Sources of Payment for the Bonds***. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of principal of and interest on the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

***Legal Matters***. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (**"Bond Counsel"**), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District (**"Disclosure Counsel"**). Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as Underwriter's counsel ("**Underwriter's Counsel**"). Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance of the Bonds.

***Tax Matters.*** In the opinion of Bond Counsel, based upon existing laws, regulations, rulings and court decisions, and assuming (among other things) compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes, although interest on the Bonds is <u>not</u> excluded from gross income for federal income tax purposes. Bond Counsel express no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" and Appendix D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

***Continuing Disclosure.*** The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of issuance of the Bonds and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "THE BONDS - Continuing Disclosure."

***Other Information***. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent of the District, Mill Valley School District, 411 Sycamore Avenue, Mill Valley, California 94941. The District may impose a charge for copying, mailing and handling.

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

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

*END OF INTRODUCTION*

## THE REFINANCING PLAN

As described herein, the proceeds of the Refunding Bonds will be used to refund certain maturities of the Prior Bonds, and to pay related costs of issuance.

### The Refunded Bonds

The Prior Bonds were authorized at an election of the registered voters of the District held on November 3, 2009, which authorized the issuance of $59,800,000 principal amount of general obligation bonds (the "**2009 Authorization**") for the purpose of financing improvement to District elementary and middle school facilities. The Prior Bonds, the second series of bonds issued pursuant to the 2009 Authorization, were issued as current interest bonds in the aggregate principal amount of $30,605,000. The Prior Bonds are subject to optional redemption on or after August 1, 2022 at a price of 100.0% of the principal amount being redeemed, plus any accrued interest (as applicable), without premium.

The Refunding Bonds are being issued by the District to refund on an advance basis certain maturities of the Prior Bonds, as more particularly identified in the following table (the **"Refunded Bonds"**).

**MILL VALLEY SCHOOL DISTRICT**
**Identification of Refunded Bonds**

| Maturities Payable from Escrow (August 1) | CUSIP† | Principal Amount | Redemption Date | Redemption Price |
|---|---|---|---|---|
| 08/01/24 | 600038 KZ5 | $230,000 | 08/01/2022 | 100.00 |
| 08/01/25 | 600038 LA9 | 220,000 | 08/01/2022 | 100.00 |
| 08/01/26 | 600038 LB7 | 210,000 | 08/01/2022 | 100.00 |
| 08/01/27 | 600038 LC5 | 195,000 | 08/01/2022 | 100.00 |
| 08/01/28 | 600038 LD3 | 185,000 | 08/01/2022 | 100.00 |
| 08/01/32-T | 600038 LG6 | 585,000 | 08/01/2022 | 100.00 |
| 08/01/35-T | 600038 LH4 | 4,655,000 | 08/01/2022 | 100.00 |
| 08/01/36 | 600038 LE1 | 4,890,000 | 08/01/2022 | 100.00 |
| 08/01/39-T | 600038 LF8 | 17,365,000 | 08/01/2022 | 100.00 |
| Total: | -- | $28,535,000 | -- | -- |

† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.
T: Term Bonds.

### Deposits in Escrow Fund

The District will deliver the net proceeds of the Refunding Bonds to The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow bank (the "**Escrow Agent**"), for deposit in an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**"), between the District and the Escrow Agent. The Escrow Agent will invest such funds in certain United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States ("**Escrow Fund Securities**") and will apply such funds, together with interest earnings on the investment of such funds in Escrow Fund Securities, to pay the principal of and interest on the Refunded Bonds, including the redemption price of the Refunded Bonds, as set forth above, together with accrued interest to the redemption date identified above.

Sufficiency of the deposits in the Escrow Fund for the foregoing purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Agent on the date of issuance of the Refunding Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by *ad valorem* property taxes levied in the District.

*The Escrow Fund Securities and cash held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded Bonds, and will not be available for the payment of debt service with respect to the Refunding Bonds.*

## SOURCES AND USES OF FUNDS

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

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of Bonds | $31,605,000.00 |
| **Total Sources** | $31,605,000.00 |
| | |
| **Uses of Funds** | |
| Escrow Fund | $31,308,060.83 |
| Costs of Issuance(1) | 296,939.17 |
| **Total Uses** | $31,605,000.00 |

*(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the financial advisor, the Paying Agent, Escrow Agent, Verification Agent, and the rating agency.*

# THE BONDS

## Authority for Issuance

The Bonds will be issued pursuant to the Bond Law and pursuant to the Bond Resolution.

## Description of the Bonds

The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “Book-Entry Only System” below and “APPENDIX F – DTC and the Book-Entry Only System.”

The Bonds will be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2020 (each, an **“Interest Payment Date”**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth ($15^{th}$) day of the month preceding the Interest Payment Date (each, a **“Record Date”**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2020, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

## Paying Agent

The Bank of New York Mellon Trust Company, N.A. will act as the registrar, transfer agent, and paying agent for the Bonds (the “**Paying Agent**”) in accordance with the Bond Resolution. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will provide notices and payments in accordance with the book-entry procedures summarized below under the heading “-Book-Entry Only System.”

## Book-Entry Only System

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”). Purchasers of the Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice. See "APPENDIX F – DTC and the Book-Entry Only System."

The Paying Agent, the District, and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

## Optional Redemption

The Bonds maturing on or before August 1, 2030 are not subject to optional redemption prior to maturity. The Bonds maturing after August 1, 2030 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2030, or on any date thereafter, at a redemption price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, Bonds will be deemed to consist of $5,000 portions, and any such portion may be separately redeemed. Whenever less than all of the outstanding Bonds are designated for redemption, the Paying Agent shall select Bonds for redemption as directed by the District, and without direction, in inverse order of maturity. If less than all Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent.

## Mandatory Sinking Fund Redemption

The Bonds are issued as term bonds (the **"Term Bonds"**) which are subject to mandatory sinking fund redemption on the dates and in the amounts as set forth in the respective schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium, together with interest accrued thereon to the redemption date. If any Term Bonds are redeemed under the foregoing optional redemption provisions, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000.

**$1,035,000 Principal Amount Term Bonds Maturing August 1, 2022**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2020 | $400,000 |
| 2021 | 315,000 |
| 2022 (Maturity) | 320,000 |

**$1,420,000 Principal Amount Term Bonds Maturing August 1, 2025**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2023 | $320,000 |
| 2024 | 555,000 |
| 2025 (Maturity) | 545,000 |

**$1,055,000 Principal Amount Term Bonds Maturing August 1, 2027**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2026 | $535,000 |
| 2027 (Maturity) | 520,000 |

**$1,510,000 Principal Amount Term Bonds Maturing August 1, 2030**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2028 | $515,000 |
| 2029 | 505,000 |
| 2030 (Maturity) | 490,000 |

**$6,585,000 Principal Amount Term Bonds Maturing August 1, 2035**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2031 | $460,000 |
| 2032 | 445,000 |
| 2033 | 435,000 |
| 2034 | 420,000 |
| 2035 (Maturity) | 4,825,000 |

**$20,000,000 Principal Amount Term Bonds Maturing August 1, 2039**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2036 | $5,185,000 |
| 2037 | 5,560,000 |
| 2038 | 5,960,000 |
| 2039 (Maturity) | 3,295,000 |

### Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District, at least 20 days but not more than 60 days prior to the date fixed for redemption. Notice of any redemption of Bonds may be a conditional notice of redemption and subject to rescission as set forth below and shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

Neither failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds.

**Partial Redemption of Bonds**

Upon the surrender of any Bond redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

**Right to Rescind Notice of Redemption**

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

**Registration, Transfer and Exchange of Bonds**

If the book-entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book-entry system is discontinued, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Dallas, Texas for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book-entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

**Defeasance**

Any or all of the Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

**"Federal Securities"** means any non-callable United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

*[Remainder of Page Intentionally Left Blank]*

## DEBT SERVICE SCHEDULES

***The Bonds.*** The following table shows the debt service schedule with respect to the Bonds, assuming no optional redemptions.

**MILL VALLEY SCHOOL DISTRICT**
**2020 Refunding General Obligation Bonds**

| Bond Year Ending | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 08/01/20 | $400,000.00 | $178,425.00 | $578,425.00 |
| 08/01/21 | 315,000.00 | 818,300.00 | 1,133,300.00 |
| 08/01/22 | 320,000.00 | 814,205.00 | 1,134,205.00 |
| 08/01/23 | 320,000.00 | 810,045.00 | 1,130,045.00 |
| 08/01/24 | 555,000.00 | 805,062.60 | 1,360,062.60 |
| 08/01/25 | 545,000.00 | 796,421.26 | 1,341,421.26 |
| 08/01/26 | 535,000.00 | 787,935.60 | 1,322,935.60 |
| 08/01/27 | 520,000.00 | 777,973.90 | 1,297,973.90 |
| 08/01/28 | 515,000.00 | 768,291.50 | 1,283,291.50 |
| 08/01/29 | 505,000.00 | 757,579.50 | 1,262,579.50 |
| 08/01/30 | 490,000.00 | 747,075.50 | 1,237,075.50 |
| 08/01/31 | 460,000.00 | 736,883.50 | 1,196,883.50 |
| 08/01/32 | 445,000.00 | 725,337.50 | 1,170,337.50 |
| 08/01/33 | 435,000.00 | 714,168.00 | 1,149,168.00 |
| 08/01/34 | 420,000.00 | 703,249.50 | 1,123,249.50 |
| 08/01/35 | 4,825,000.00 | 692,707.50 | 5,517,707.50 |
| 08/01/36 | 5,185,000.00 | 571,600.00 | 5,756,600.00 |
| 08/01/37 | 5,560,000.00 | 423,412.70 | 5,983,412.70 |
| 08/01/38 | 5,960,000.00 | 264,507.90 | 6,224,507.90 |
| 08/01/39 | 3,295,000.00 | 94,171.10 | 3,389,171.10 |
| Total | $31,605,000.00 | $12,987,352.56 | $44,592,352.56 |

***Combined General Obligation Bond Indebtedness.*** The following table shows the debt service schedule with respect to all outstanding general obligation bonds of the District, together with debt service due on the Bonds, assuming no optional redemptions.

**MILL VALLEY SCHOOL DISTRICT**
**Combined Outstanding General Obligation Bond Debt Service**

| | 1994 GO Bonds, Series B | 1994 GO Bonds, Series C | 1998 GO Bonds, Series A | 2009 GO Bonds, Series B | 2017 GO Refunding | The Bonds | Total |
|---|---|---|---|---|---|---|---|
| 8/1/20 | $790,000.00 | $1,185,000.00 | $745,000.00 | $275,375.00 | $937,550.00 | $578,425.00 | $4,511,350.00 |
| 8/1/21 | -- | -- | 760,000.00 | 279,250.00 | 1,672,550.00 | 1,133,300.00 | 3,845,100.00 |
| 8/1/22 | -- | -- | 780,000.00 | 256,600.00 | 1,818,150.00 | 1,134,205.00 | 3,988,955.00 |
| 8/1/23 | -- | -- | 800,000.00 | 244,400.00 | 1,965,850.00 | 1,130,045.00 | 4,140,295.00 |
| 8/1/24 | -- | -- | -- | -- | 2,123,300.00 | 1,360,062.60 | 3,483,362.60 |
| 8/1/25 | -- | -- | -- | -- | 2,282,300.00 | 1,341,421.26 | 3,623,721.26 |
| 8/1/26 | -- | -- | -- | -- | 2,452,900.00 | 1,322,935.60 | 3,775,835.60 |
| 8/1/27 | -- | -- | -- | -- | 2,634,300.00 | 1,297,973.90 | 3,932,273.90 |
| 8/1/28 | -- | -- | -- | -- | 2,815,700.00 | 1,283,291.50 | 4,098,991.50 |
| 8/1/29 | -- | -- | -- | -- | 3,005,637.50 | 1,262,579.50 | 4,268,217.00 |
| 8/1/30 | -- | -- | -- | -- | 3,204,012.50 | 1,237,075.50 | 4,441,088.00 |
| 8/1/31 | -- | -- | -- | -- | 3,406,800.00 | 1,196,883.50 | 4,603,683.50 |
| 8/1/32 | -- | -- | -- | -- | 3,622,800.00 | 1,170,337.50 | 4,793,137.50 |
| 8/1/33 | -- | -- | -- | -- | 3,842,100.00 | 1,149,168.00 | 4,991,268.00 |
| 8/1/34 | -- | -- | -- | -- | 4,073,650.00 | 1,123,249.50 | 5,196,899.50 |
| 8/1/35 | -- | -- | -- | -- | -- | 5,517,707.50 | 5,517,707.50 |
| 8/1/36 | -- | -- | -- | -- | -- | 5,756,600.00 | 5,756,600.00 |
| 8/1/37 | -- | -- | -- | -- | -- | 5,983,412.70 | 5,983,412.70 |
| 8/1/38 | -- | -- | -- | -- | -- | 6,224,507.90 | 6,224,507.90 |
| 8/1/39 | -- | -- | -- | -- | -- | 3,389,171.10 | 3,389,171.10 |
| | $790,000.00 | 1,185,000.00 | $3,085,000.00 | $1,055,625.00 | $39,857,600.00 | $44,592,352.56 | $90,565,577.56 |

## SECURITY FOR THE BONDS

### *Ad Valorem* Taxes

***Bonds Payable from* Ad Valorem *Property Taxes*.** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. In accordance with Education Code 15250 and following, the County Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

***Other Bonds Payable from Ad Valorem Property Taxes***. The District has previously issued other general obligation bonds, which are payable from *ad valorem* taxes on a parity basis. In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District that is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Direct and Overlapping Debt" below.

***Levy and Collection.*** The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the debt service fund for the Bonds, which is maintained by the Marin County Treasurer in accordance with Education Code Section 15251 and the Bond Resolution, and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See "PROPERTY TAXATION" below.

***Statutory Lien on Ad Valorem Tax Revenues.*** Pursuant to Senate Bill 222 effective January 1, 2016, voter-approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

***Annual Tax Rates.*** The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value." See also following paragraph regarding the Coronavirus (defined below).

***Disclosure Relating to Coronavirus***

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

President Trump's declaration of a national emergency on March 13, 2020 made available more than $50 billion in federal resources to combat the spread of the virus. A multibillion-dollar Coronavirus relief package was signed into law by President Trump on March 18, 2020 providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In an effort to calm the markets, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds. Further, on March 27, 2020, the United State Congress passed a $2 trillion relief package responding to the COVID-19 emergency, which has been signed by President Trump, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the **"CARES Act"**). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, $367 billion for loans to small businesses, a $500 billion fund to assist distressed large businesses, including approximately $30 billion to The Education Stabilization Fund to provide Emergency Relief Grants to educational institutions and local educational agencies in their respective responses to COVID-19. This funding allocation includes approximately $13.5 billion in formula funding to the Elementary and Secondary School Emergency Fund to make grants available to each state educational agency to facilitate K-12 schools' responses to COVID-19.

On April 9, 2020, the Federal Reserve took additional actions to provide up to $2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the SBA's Paycheck Protection Program, purchasing up to $600 billion in loans through the Main Street Lending Program and offering up to $500 billion in lending to states and municipalities.

At the State level, on March 15, 2020, Governor Newsom ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed $1.1 billion in general purpose spending authority for emergency funds to respond to the COVID-19 crisis. On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a blanket shelter-in-place order, ordering all California residents to stay home except for certain necessities and other essential purposes, which will stay in effect until further notice.

Local jurisdictions within the State also issued their own shelter-in-place orders. A number of California counties have formally extended their local orders through April 2020.

***Impacts on Global and Local Economies; Potential Declines in State Revenues.*** The COVID-19 public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. Under the 2019-20 State Budget (defined below) approximately 70% of the State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20. California's Legislative Analyst's Office published a report on March 18, 2020 which anticipates that the economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, including lower capital gains-related tax revenue due to the volatility in the financial markets, and the likelihood that a recession is forthcoming due to pullback in activity across wide swaths of the economy. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - LAO Fiscal Perspective Report (March 18, 2020):COVID-19."The District cannot predict the short or long term impacts the COVID-19 emergency will have on global, State-wide and local economies, which could impact District operations and local property values.

***Suspension of Classroom Instruction***. Governor Newsom's orders, as well as local shelter in place orders, have suspended in-person classroom instruction throughout California schools. On April 1, 2020, Governor Newsom stated that schools statewide should not reopen again for the remainder of the school year although distance learning may continue. Executive Order N-26-20 signed by the Governor on March 13, 2020 provides for continued State funding to support distance learning or independent study, subsidized school meals to low-income students, and continued payment for school district employees, among others. Senate Bill 117 was passed on March 17, 2020, addressing attendance and instructional hour requirements, among other items, and effectively holds school districts harmless from funding losses that could result from these issues under existing funding formulas. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally". Federal funding to school districts may be available under the CARES Act as a result of the COVID-19 emergency.

The District is unable predict all of the possible impacts that the COVID-19 emergency might have on its finances or programs, or the credit ratings on its debt obligations, including on global, national, State and local economies and property values. See also "RATING" herein.

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

**Debt Service Fund**

The County will establish a "**Debt Service Fund**" for the Bonds, as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the

Bonds as the same become due and payable. Funds on deposit in the Debt Service Fund are subject to a statutory lien pursuant to the provisions of Section 15251 of the California Education Code.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the District shall transfer such amounts to other debt service funds of the District with respect to outstanding general obligation bonds of the District, if any, and if none, then to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

**Not a County Obligation**

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal, of and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

# PROPERTY TAXATION

## Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

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

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, Senate Bill 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

## Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

**Assessed Valuations**

***Assessed Valuation History***. The 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. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

Shown in the following table are recent assessed valuations for the District.

**MILL VALLEY SCHOOL DISTRICT**
**Historical Assessed Valuations**
**Fiscal Years 2002-03 to 2019-20**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | Annual % Change |
|---|---|---|---|---|---|
| 2002-03 | $5,071,579,686 | $70,947 | $69,213,771 | $5,140,864,404 | --% |
| 2003-04 | 5,464,858,101 | 70,947 | 70,788,099 | 5,535,717,147 | 7.7 |
| 2004-05 | 5,864,234,541 | 70,947 | 68,959,634 | 5,933,265,122 | 7.2 |
| 2005-06 | 6,420,355,498 | 70,947 | 72,453,663 | 6,492,880,108 | 9.4 |
| 2006-07 | 6,928,796,958 | 0 | 75,831,591 | 7,004,628,549 | 7.9 |
| 2007-08 | 7,418,817,191 | 0 | 78,930,404 | 7,497,747,595 | 7.0 |
| 2008-09 | 7,898,607,293 | 0 | 81,467,140 | 7,980,074,433 | 6.4 |
| 2009-10 | 8,175,279,412 | 0 | 81,851,268 | 8,257,130,680 | 3.5 |
| 2010-11 | 8,032,575,744 | 0 | 79,342,910 | 8,111,918,654 | (1.8) |
| 2011-12 | 8,138,583,214 | 0 | 77,529,105 | 8,216,112,319 | 1.3 |
| 2012-13 | 8,320,242,665 | 0 | 85,677,660 | 8,405,920,325 | 2.3 |
| 2013-14 | 8,610,235,195 | 0 | 87,949,035 | 8,698,184,230 | 3.5 |
| 2014-15 | 9,150,755,843 | 0 | 90,099,971 | 9,240,855,814 | 6.2 |
| 2015-16 | 9,910,978,628 | 0 | 88,081,571 | 9,999,060,199 | 8.2 |
| 2016-17 | 10,563,923,885 | 0 | 85,496,073 | 10,649,419,958 | 6.5 |
| 2017-18 | 11,100,096,668 | 0 | 95,660,925 | 11,195,757,593 | 5.1 |
| 2018-19 | 11,723,206,571 | 0 | 95,978,134 | 11,819,184,705 | 5.6 |
| 2019-20 | 12,265,827,499 | 0 | 114,056,773 | 12,379,884,272 | 4.7 |

*Source: California Municipal Statistics, Inc.*

***Factors Relating to Increases/Decreases in Assessed Value.*** General Considerations. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters such as earthquakes, fires, floods and drought. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, and related flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Seismic activity is also a risk in the region where the District is located. Although recent California wildfires have not occurred within District boundaries. See also "SECURITY FOR THE BONDS – *Ad Valorem* Taxes – Disclosure Relating to the Coronavirus." The District cannot predict or make any representations regarding the effects that wildfires or any other type of natural or manmade disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Proposed Split Roll Approach – November 3, 2020 Measure. A State constitutional amendment designated as the California Schools and Local Community Funding Act of 2020, has qualified by initiative for the November 3, 2020 ballot which, if approved by State voters by majority vote, would amend the State Constitution to change to a split roll approach to determine property values for purposes of property taxation. If approved, the State Constitution will be amended to provide for the reassessment to fair market value of certain commercial and industrial real properties every three years, overriding the current two percent limitation on annual assessment increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies. The District cannot predict if such initiative will be successful or the impact it might have on assessed values in the District.

***Assessed Value by Jurisdiction***. The following table shows a breakdown of assessed valuation by jurisdiction for the District for Fiscal Year 2019-20

**MILL VALLEY SCHOOL DISTRICT**
**Assessed Valuation by Jurisdiction**
**Fiscal Year 2019-20**

| Jurisdiction: | Assessed Valuation in School District | % of School District | Assessed Valuation of Jurisdiction | % of Jurisdiction in School District |
|---|---|---|---|---|
| City of Mill Valley | $ 6,139,159,769 | 49.59% | $6,176,627,686 | 99.39% |
| Town of Tiburon | 128,355,591 | 1.04 | $5,865,469,429 | 2.19% |
| Unincorporated Marin County | 6,112,368,912 | 49.37 | $22,689,432,381 | 26.94% |
| Total District | $12,379,884,272 | 100.00% | | |
| | | | | |
| Marin County | $12,379,884,272 | 100.00% | $82,516,667,278 | 15.00% |

*Source: California Municipal Statistics, Inc.*

***Parcels by Land Use***. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for Fiscal Year 2019-20.

**MILL VALLEY SCHOOL DISTRICT**
**Local Secured Property Assessed Valuation and Parcels by Land Use**
**Fiscal Year 2019-20**

| Non-Residential: | 2019-20 Assessed Valuation (1) | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Agricultural/Rural | $ 74,717 | 0.00% | 4 | 0.03% |
| Commercial | 680,221,259 | 5.55 | 304 | 2.44 |
| Vacant Commercial | 5,474,470 | 0.04 | 29 | 0.23 |
| Industrial | 950,548 | 0.01 | 1 | 0.01 |
| Government/Social/Institutional | 63,901,157 | 0.52 | 651 | 5.23 |
| Subtotal Non-Residential | $750,622,151 | 6.12% | 989 | 7.94% |
| | | | | |
| Residential: | | | | |
| Single Family Residence | $ 9,798,747,128 | 79.89% | 8,744 | 70.24% |
| Condominium/Townhouse | 829,927,978 | 6.77 | 1,221 | 9.81 |
| 2+ Residential Units/Apartments | 812,981,129 | 6.63 | 791 | 6.35 |
| Vacant Residential | 73,549,113 | 0.60 | 704 | 5.66 |
| Subtotal Residential | $11,515,205,348 | 93.88% | 11,460 | 92.06% |
| | | | | |
| Total | $12,265,827,499 | 100.00% | 12,449 | 100.00% |

(1) Local secured assessed valuation; excluding tax-exempt property.
*Source: California Municipal Statistics, Inc.*

***Per Parcel Assessed Valuation of Single-Family Homes.*** The table below shows the per parcel assessed valuation of single-family homes in the District for Fiscal Year 2019-20.

**MILL VALLEY SCHOOL DISTRICT**
**Per Parcel Assessed Valuation of Single Family Homes**
**Fiscal Year 2019-20**

| | No. of Parcels | 2019-20 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| **Single Family Residential** | 8,744 | $9,798,747,128 | $1,120,625 | $934,723 |

| 2019-20 Assessed Valuation | No. of Parcels (1) | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $199,999 | 1,089 | 12.454% | 12.454% | $ 144,927,960 | 1.479% | 1.479% |
| $200,000 - $399,999 | 894 | 10.224 | 22.678 | 263,759,551 | 2.692 | 4.171 |
| $400,000 - $599,999 | 858 | 9.812 | 32.491 | 432,001,991 | 4.409 | 8.580 |
| $600,000 - $799,999 | 916 | 10.476 | 42.967 | 638,989,732 | 6.521 | 15.101 |
| $800,000 - $999,999 | 922 | 10.544 | 53.511 | 830,457,950 | 8.475 | 23.576 |
| $1,000,000 - $1,199,999 | 834 | 9.538 | 63.049 | 916,484,301 | 9.353 | 32.929 |
| $1,200,000 - $1,399,999 | 692 | 7.914 | 70.963 | 894,781,641 | 9.132 | 42.061 |
| $1,400,000 - $1,599,999 | 553 | 6.324 | 77.287 | 823,630,841 | 8.405 | 50.466 |
| $1,600,000 - $1,799,999 | 452 | 5.169 | 82.457 | 766,856,796 | 7.826 | 58.292 |
| $1,800,000 - $1,999,999 | 365 | 4.174 | 86.631 | 691,149,468 | 7.053 | 65.345 |
| $2,000,000 - $2,199,999 | 240 | 2.745 | 89.376 | 502,028,503 | 5.123 | 70.469 |
| $2,200,000 - $2,399,999 | 187 | 2.139 | 91.514 | 429,337,184 | 4.382 | 74.850 |
| $2,400,000 - $2,599,999 | 145 | 1.658 | 93.172 | 361,608,715 | 3.690 | 78.541 |
| $2,600,000 - $2,799,999 | 126 | 1.441 | 94.613 | 339,081,630 | 3.460 | 82.001 |
| $2,800,000 - $2,999,999 | 105 | 1.201 | 95.814 | 304,071,400 | 3.103 | 85.104 |
| $3,000,000 - $3,199,999 | 72 | 0.823 | 96.638 | 222,425,110 | 2.270 | 87.374 |
| $3,200,000 - $3,399,999 | 58 | 0.663 | 97.301 | 190,918,119 | 1.948 | 89.323 |
| $3,400,000 - $3,599,999 | 42 | 0.480 | 97.781 | 146,646,883 | 1.497 | 90.819 |
| $3,600,000 - $3,799,999 | 42 | 0.480 | 98.262 | 155,565,498 | 1.588 | 92.407 |
| $3,800,000 - $3,999,999 | 25 | 0.286 | 98.548 | 96,879,713 | 0.989 | 93.396 |
| $4,000,000 and greater | 127 | 1.452 | 100.000 | 647,144,142 | 6.604 | 100.000 |
| | 8,744 | 100.000% | | $9,798,747,128 | 100.000% | |

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

## Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution” in Appendix A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

**Typical Tax Rates**

Below are historical typical tax rates in a typical tax rate area within the District in recent years.

**MILL VALLEY SCHOOL DISTRICT**
**Typical Tax Rates**
**(TRA 5-000 – 2019-20 Assessed Valuation: $6,073,906,390)**
**Tax Rate per $100 of Assessed Valuation**
**Fiscal Years 2014-15 through 2019-20**

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|
| General Tax Rate | $1.0000 | $1.0000 | $1.0000 | $1.0000 | $1.0000 | $1.0000 |
| Tamalpais Union High School District | .0352 | .0313 | .0288 | .0269 | .0258 | .0175 |
| Marin Community College District | .0180 | .0165 | .0142 | .0338 | .0339 | .0269 |
| Mill Valley School District | .0555 | .0523 | .0514 | .0511 | .0466 | .0319 |
| Marin Healthcare District | .0000 | .0235 | .0093 | .0201 | .0190 | .0239 |
| Total Tax Rate | $1.1087 | $1.1236 | $1.1037 | $1.1319 | $1.1253 | $1.1002 |

*Source: California Municipal Statistics, Inc.*

## Secured Tax Levies and Delinquencies - Teeter Plan

Historical secured tax levy collections and delinquencies in the District are summarized in the following table.

**MILL VALLEY SCHOOL DISTRICT**
**2011-12 through 2018-19**
**Secured Tax Charges and Delinquency Rates**

| Fiscal Year | Secured Tax Charge (1) | Amt. Del. June 30 | % Del. June 30 |
|---|---|---|---|
| 2011-12 | $3,508,786 | $45,445 | 1.30% |
| 2012-13 | 4,334,142 | 48,973 | 1.13 |
| 2013-14 | 4,905,964 | 45,185 | 0.92 |
| 2014-15 | 5,053,164 | 49,174 | 0.97 |
| 2015-16 | 5,164,341 | 41,448 | 0.80 |
| 2016-17 | 5,402,185 | 37,374 | 0.69 |
| 2017-18 | 5,644,941 | 24,463 | 0.43 |
| 2018-19 | 5,414,455 | 45,463 | 0.84 |

(1) Debt service levy only.
*Source: California Municipal Statistics, Inc.*

The District's total secured tax collections and delinquencies are apportioned on a County-wide basis, according to the District's designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of taxpayers within the tax areas of the District. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of the County.

Notwithstanding the delinquency information set forth above, the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**) as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of secured property taxes due to local agencies in the fiscal year such taxes are due, including the District. Under these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met. The tax levied on the secured roll for repaying the District's general obligation bonds is covered by the Teeter Plan.

Because of this method of tax collection, the school districts and community college districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due on delinquent payments or in the interest which accrues on delinquent payments. The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District. The District is not aware of any plans by the County to discontinue the Teeter Plan.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes, including with respect to the Bonds, will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

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**Largest Property Owners**

The following table shows the 20 largest taxpayers in the District as determined by local secured assessed valuation in fiscal year 2019-20 Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

The District'st top twenty property taxpayers account for less than four percent of the secured assessed valuation in the District.

**MILL VALLEY SCHOOL DISTRICT**
**Largest 2019-20 Local Secured Taxpayers**

| | Property Owner | Primary Land Use | 2019-20 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | Strawberry Village Retail | Commercial | $ 80,063,628 | 0.65% |
| 2. | North Coast Land Holdings LLC | Private School | 60,282,481 | 0.49 |
| 3. | AG-SKB Belvedere Owner LP | Commercial | 48,638,700 | 0.40 |
| 4. | Safeway Inc. | Commercial | 30,853,331 | 0.25 |
| 5. | Rachelle Kaliski Trust | Apartments | 28,756,735 | 0.23 |
| 6. | EDC II WF LLC | Commercial | 26,416,717 | 0.22 |
| 7. | Shelterpoint Equities LP | Commercial | 24,314,265 | 0.20 |
| 8. | D.M. Jacobson & Sons Inc. | Apartments | 24,031,986 | 0.20 |
| 9. | Central Valley Homes Inc. | Residential Properties | 18,365,492 | 0.15 |
| 10. | Woodmont Capital-Casa Roja LP | Apartments | 15,089,106 | 0.12 |
| 11. | GRI Alto Center LLC | Commercial | 14,429,377 | 0.12 |
| 12. | Marinland Development Co. | Apartments | 12,630,037 | 0.10 |
| 13. | Lindskog Family Investments LP | Apartments | 12,572,371 | 0.10 |
| 14. | 121 Barn Road QPRT Trust | Residential | 12,274,011 | 0.10 |
| 15. | SC-Tusca LLC | Residential | 11,460,000 | 0.09 |
| 16. | Walsh Family LP | Commercial and Apartments | 11,111,861 | 0.09 |
| 17. | 999 Van Ness LLC | Commercial | 9,763,040 | 0.08 |
| 18. | Happy Place 820 LLC | Residential | 9,731,400 | 0.08 |
| 19. | Peter K. Buckley Trust | Residential | 9,688,999 | 0.08 |
| 20. | Parish-Marin I & II LLC | Commercial | 9,524,988 | 0.08 |
| | | | $469,998,525 | 3.83% |

(1) 2019-20 local secured assessed valuation: $12,265,827,499.
*Source: California Municipal Statistics, Inc.*

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the **"Debt Report"**) prepared by California Municipal Statistics, Inc. with respect to debt dated as of April 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

**MILL VALLEY SCHOOL DISTRICT**
**Statement of Direct and Overlapping Bonded Debt**
**Dated as of April 1, 2020**

**2019-20 Assessed Valuation**: $12,379,884,272

| **DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:** | % Applicable | Debt 3/1/20 |
|---|---|---|
| Marin Community College District | 15.025% | $ 67,297,726 |
| Tamalpais Union High School District | 25.253 | 24,308,538 |
| **Mill Valley School District** | **100.000** | **61,328,096**(1) |
| Belvedere-Tiburon Library Agency Community Facilities District No. 1995-1 | 1.543 | 10,261 |
| City of Mill Valley Community Facilities District No. 1996-1 | 100.000 | 2,113,000 |
| Marin Healthcare District | 18.012 | 65,932,025 |
| Marin Emergency Radio Authority (Measure A) | 15.003 | 4,707,191 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $225,696,837 |
| | | |
| **OVERLAPPING GENERAL FUND DEBT:** | | |
| Marin County General Fund Obligations | 15.003% | $12,375,943 |
| Marin County Pension Obligation Bonds | 15.003 | 11,720,344 |
| Marin Community College District General Fund Obligations | 15.025 | 2,007,465 |
| Marin County Transit District General Fund Obligations | 15.003 | 7,081 |
| City of Mill Valley General Fund Obligations | 99.393 | 2,838,465 |
| City of Mill Valley Pension Obligation Bonds | 99.393 | 4,701,289 |
| Town of Tiburon General Fund Obligations | 2.188 | 1,619 |
| South Marin Fire Protection District General Fund Obligations | 51.930 | 34,482 |
| Marin Municipal Water District General Fund Obligations | 18.867 | 7,245 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | $33,693,933 |
| | | |
| **COMBINED TOTAL DEBT** | | $259,390,770(2) |

Ratios to 2019-20 Assessed Valuation:
**Direct Debt ($61,328,096)....................................................0.50%**
Total Direct and Overlapping Tax and Assessment Debt........1.82%
Combined Total Debt.............................................................2.10%

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
*Source: California Municipal Statistics, Inc.*

## TAX MATTERS

The interest on the Bonds is not excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, San Francisco, California, interest on the Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the Bonds, which is to be delivered on the date of issuance of the Bonds, is set forth in APPENDIX D.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

## CERTAIN LEGAL MATTERS

### Legality for Investment

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

### Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

The District is subject to lawsuits and claims that may arise in the normal course of operating the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

### Compensation of Certain Professionals

Payment of the fees and expenses of Bond Counsel and Disclosure Counsel, Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California, as financial advisor to the District, and Underwriter’s Counsel, is contingent upon issuance of the Bonds.

## CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently would be by April 1 each year based upon the June 30 end of the District's fiscal year), commencing by April 1, 2021, with the report for the 2019-20 Fiscal Year (the **"Annual Report"**), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the **"MSRB"**). The specific nature of the information to be contained in an Annual Report or other notices is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has made prior undertakings under the Rule. A review has been undertaken of the District's continuing disclosure filings in the previous five years, and no instances of material non-compliance have been identified.

Willdan Financial Services will serve as dissemination agent to the District with respect to the Bonds.

Neither the County nor any other entity other than the District has any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure. The County has not reviewed nor is it responsible for the content of the Official Statement.

## VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Bonds.

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

## RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its rating of "AAA" to the Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such rating may be obtained only from S&P. There is no assurance that any such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $31,486,481.25 (representing the principal amount of the Bonds less Underwriter's discount of $118,518.75)

The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

## ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Dallas, Texas.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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

## EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

**MILL VALLEY SCHOOL DISTRICT**

By: /s/ *Dr. Kimberly Berman*
Superintendent

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# APPENDIX A

## DISTRICT GENERAL AND FINANCIAL INFORMATION

*The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the front portion of this Official Statement.*

## GENERAL DISTRICT INFORMATION

The Mill Valley School District (the "**District**") was established in 1891 and includes an area of approximately 21 square miles located in southern Marin County (the "**County**") in the State of California (the "**State**"). The District provides educational services for grades K-8 to the residents of the City of Mill Valley (the "**City**") and portions of the unincorporated County near the City. The District operates five elementary schools and one middle school. The District's estimated enrollment for fiscal year 2019-20 is 2,835 students.

For purposes of education funding, for Fiscal Year 2019-20, the District is a "**Community Funded District,"** meaning that the District's share of local property taxes exceeds its funding entitlement under the State's education funding formula (**"LCFF"**) as described in more detail herein). The District currently anticipates continuing to maintain its status as a Community Funded District in the foreseeable future.

### District Governance and Administration

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

**Mill Valley School District**
**Current Board of Trustees**

| Name | Office | Current Term Expires |
|---|---|---|
| Marco Pardi | President | November 2022 |
| Emily Uhlhorn | Vice President/Clerk | November 2022 |
| Bob Jacobs | Trustee | November 2020 |
| Todd May | Trustee | November 2022 |
| Leslie Wachtel | Trustee | November 2020 |

***Administration***. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Kimberly Berman, Ed.D. has served as Superintendent of the District since July 1, 2019. Michele Rollins, Ed. D. is the District's Assistant Superintendent, Business Services.

## Recent Enrollment Trends

The following table shows recent enrollment history for the District with budgeted figures for fiscal year 2019-20.

**ANNUAL ENROLLMENT AND ADA**
**Fiscal Years 2003-04 through 2019-20***
**Mill Valley School District**

| Fiscal Year | Student Enrollment | Annual % Change | ADA | Annual % Change |
|---|---|---|---|---|
| 2003-04 | 2,236 | --% | 2,162 | --% |
| 2004-05 | 2,235 | 0.0 | 2,158 | (0.2) |
| 2005-06 | 2,288 | 2.4 | 2,202 | 2.0 |
| 2006-07 | 2,335 | 2.1 | 2,238 | 1.6 |
| 2007-08 | 2,421 | 3.7 | 2,320 | 3.7 |
| 2008-09 | 2,494 | 3.0 | 2,415 | 4.1 |
| 2009-10 | 2,716 | 8.9 | 2,624 | 8.7 |
| 2010-11 | 2,811 | 3.5 | 2,711 | 3.3 |
| 2011-12 | 2,968 | 5.6 | 2,869 | 5.8 |
| 2012-13 | 3,159 | 6.4 | 3,036 | 5.8 |
| 2013-14 | 3,260 | 3.2 | 3,143 | 3.5 |
| 2014-15 | 3,242 | (0.6) | 3,136 | (0.2) |
| 2015-16 | 3,228 | (0.4) | 3,122 | (0.4) |
| 2016-17 | 3,128 | (3.1) | 3,023 | (3.2) |
| 2017-18 | 3,086 | (1.3) | 2,972 | (1.7) |
| 2018-19 | 2,948 | (4.5) | 2,841 | (4.4) |
| 2019-20* | 2,835 | (3.8) | 2,733 | (3.8) |

* Projected.
*Source: California Department of Education; Mill Valley School District.*

## Employee Relations

The District currently has 186.9 certificated, 93.5 classified and 17.0 management full-time equivalent positions. The certificated and classified employees of the District are represented by their respective bargaining units, as set forth in the following table.

**BARGAINING UNITS**
**Mill Valley School District**

| Employee Group | Representation | Contract Expiration Date |
|---|---|---|
| Mill Valley Teachers Association | Certificated | June 30, 2021 |
| California School Employees Association | Classified | June 30, 2022 |

*Source: Mill Valley School District.*

## Insurance-Joint Ventures

The District participates in two joint ventures under joint powers agreements ("**JPA**") with Marin School Insurance Authority ("**MSIA**") for workers compensation, property, and liability insurance, and Marin Pupils Transportation Agency ("**MPTA**") for pupil transportation services for special education children. The relationships between the District and the JPA's are such that the JPA's are not component units of the District for financial reporting purposes.

The JPA's arrange for and/or provide coverage or services for its members. The JPA's are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA's, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA's. The JPA's are audited on an annual basis. Audited financial statements can be obtained by contacting each JPA's management.

See Notes 13 and 14 of the District's most recent audited financial statements, which are attached hereto as APPENDIX B.

## DISTRICT FINANCIAL INFORMATION

### Education Funding Generally

School districts in California (the "**State**") receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues that exceeded their revenue limit entitlements were deemed a "Basic Aid District" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded their revenue limit funding entitlement.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. Full implementation occurred in fiscal year 2018-19.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2019-20 are set forth in the following table.

**Fiscal Year 2019-20 Base Grant* Under LCFF by Grade Span**
**(Targeted Entitlement)**

| Grade Span | 2018-19 Base Grant Per ADA | 2019-20 COLA (3.26%) | Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%) | 2019-20 Base Grant/Adjusted Base Grant Per ADA |
|---|---|---|---|---|
| K-3 | $7,459 | $243 | $801 | $8,503 |
| 4-6 | 7,571 | 247 | n/a | 7,818 |
| 7-8 | 7,796 | 254 | n/a | 8,050 |
| 9-12 | 9,043 | 295 | 243 | 9,572 |

*Does not include supplemental and concentration grant funding entitlements.
*Source: California Department of Education.*

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

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Community Funded Districts (formerly known as **"Basic Aid Districts"**) are those whose local property tax revenues exceed the funding entitlement under the LCFF. Community Funded Districts do not receive any funds from the State appropriation, however, they do receive funds from the State for categorical and grant programs restricted to a special population or for certain purposes such as disabled students or instructional equipment. The current law in California allows these districts to keep the excess property tax revenues without penalty. The implication for Community Funded Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors.

The District re-entered status as a Community Funded District in fiscal year 2017-18. From Fiscal Year 2013-14 through Fiscal Year 2016-17, the District was not in this category, given that the State provided per student funding that exceeded local property tax revenues. With declines in enrollment and increases in assessed valuations of property in the District, however, the District's revenues for the current and upcoming fiscal years are expected to be based on basic aid funding, largely based on declining enrollment and increasing property tax revenues.

**District Accounting Practices**

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

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

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

Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

**Financial Statements**

***General***. 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. The District's June 30, 2019 Audited Financial Statements were prepared by Stephen Roatch Accountancy Corporation, Folsom, California and are attached hereto as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services of the District, Mill Valley School District, 411 Sycamore Avenue, Mill Valley, California 94941, telephone (415) 389-7700. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

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***General Fund Revenues, Expenditures and Changes in Fund Balance***. The following table shows the audited income and expense statements for the general fund for the District for the fiscal years 2014-15 through 2018-19.

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**Fiscal Years 2014-15 through 2018-19 (Audited)**
**Mill Valley School District**

| Revenues | Audited 2014-15 | Audited 2015-16 | Audited 2016-17 | Audited 2017-18 | Audited 2018-19 |
|---|---|---|---|---|---|
| LCFF Sources | $20,535,551 | $22,131,113 | $23,031,977 | $24,367,004 | $25,088,984 |
| Federal Revenues | 945,311 | 893,903 | 800,434 | 713,940 | 713,813 |
| Other State Revenues | 1,859,304 | 4,076,202 | 3,426,471 | 2,965,857 | 4,822,333 |
| Other Local Revenues | 16,380,683 | 17,062,203 | 17,594,118 | 17,682,211 | 18,570,626 |
| Total Revenues | 39,720,849 | 44,163,421 | 44,853,000 | 45,729,012 | 49,195,756 |
| | | | | | |
| Expenditures | | | | | |
| Instruction | 25,641,126 | 26,884,964 | 28,092,146 | 28,844,871 | 30,199,278 |
| Instruction-Related Activities: | | | | | |
| Supervision of Instruction | 931,538 | 839,236 | 812,083 | 860,580 | 790,299 |
| Instructional Library, Media, Tech | 1,161,983 | 1,172,201 | 1,097,535 | 1,159,949 | 1,195,557 |
| School Site Administration | 3,207,759 | 3,360,332 | 3,614,755 | 3,693,134 | 3,751,948 |
| Pupil Services: | | | | | |
| Home-to-School Transport | -- | -- | 256,834 | 233,790 | 263,454 |
| Food Services | -- | -- | -- | -- | 3,609 |
| All Other Pupil Services | 1,339,857 | 1,521,581 | 1,571,937 | 1,594,467 | 1,909,863 |
| General Administration: | | | | | |
| Data Proc. | 583,773 | 692,544 | 790,690 | 868,043 | 850,847 |
| All Other General Administration | 2,498,157 | 2,403,296 | 2,925,126 | 2,699,673 | 2,894,865 |
| Plant Services | 3,095,865 | 3,325,006 | 4,000,767 | 3,828,147 | 4,082,453 |
| Facility Acquisition and Construction | -- | 10,803 | 178,680 | 134,990 | 150,411 |
| Other Outgo | 169,289 | 484,365 | 578,199 | 551,734 | 638,283 |
| Debt Service: Principal | -- | -- | -- | -- | -- |
| Debt Service: Interest | -- | -- | -- | -- | -- |
| Total Expenditures | 38,629,347 | 40,694,328 | 43,918,752 | 44,469,378 | 46,730,867 |
| | | | | | |
| Excess of Revenues Over/(Under) Expenditures | 1,091,502 | 3,469,093 | 934,248 | 1,259,634 | 2,464,889 |
| | | | | | |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers in | -- | -- | -- | -- | -- |
| Operating Transfers out | (12,500) | (10,000) | (10,000) | (10,000) | (10,000) |
| Other Sources | -- | -- | -- | -- | -- |
| Total Other Financing Sources (Uses) | (12,500) | (10,000) | (10,000) | (10,000) | (10,000) |
| | | | | | |
| Net Change in Fund Balance | 1,079,002 | 3,459,093 | 924,248 | 1,249,634 | 2,454,889 |
| | | | | | |
| Fund Balance, July 1 | 10,122,259 | 11,201,261 | 14,660,354 | 15,584,602 | 16,834,236 |
| Fund Balance, June 30 | $11,201,261 | $14,660,354 | $15,584,602 | $16,834,236 | $19,289,125 |

*Source: District Audit Reports.*

## District Budget and Interim Financial Reporting

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

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

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

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

***District's Budget Approval/Disapproval and Certification History.*** During the past five years, each of the District's adopted budgets have been approved by the County Superintendent, and the District has received positive certifications on all of its interim reports. The District's most recent interim report, the 2019-20 second interim report, received a positive certification from the Board.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 411 Sycamore Avenue, Mill Valley, California 94941, Phone: (415) 389-7700. The District may impose charges for copying, mailing and handling.

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***District's Fiscal Year 2019-20 Adopted Budget and Second Interim Report***. The following table shows the income and expense statements for the District for fiscal year 2019-20 (adopted budget and second interim report).

**GENERAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Fiscal Year 2019-20 (Adopted Budget and Second Interim Report)(1)
Mill Valley School District**

| Revenues | Adopted Budget Fiscal Year 2019-20 | Second Interim Fiscal Year 2019-20 |
|---|---|---|
| LCFF Sources | $25,633,349 | $25,297,477 |
| Federal Revenues | 646,425 | 775,675 |
| Other State Revenues | 2,544,599 | 4,332,247 |
| Other Local Revenues | 17,803,002 | 18,437,189 |
| Total Revenues | 46,627,375 | 48,842,588 |
| | | |
| Expenditures | | |
| Certificated Salaries | 20,116,805 | 20,480,952 |
| Classified Salaries | 6,224,793 | 6,398,907 |
| Employee Benefits | 12,892,313 | 14,012,031 |
| Books and Supplies | 1,007,350 | 2,158,164 |
| Contract Services & Operating Exp. | 4,519,709 | 5,866,876 |
| Capital Outlay | 40,000 | 40,000 |
| Other outgo (Excluding Indirect Costs) | 744,227 | 755,963 |
| Other outgo – Transfers of Indirect Costs | -- | -- |
| Total Expenditures | 45,545,197 | 49,712,893 |
| | | |
| Excess of Revenues Over/(Under) Expenditures | 1,082,178 | (870,304) |
| | | |
| Other Financing Sources (Uses) | | |
| Operating Transfers in | 122,500 | -- |
| Operating Transfers out | 10,000 | 10,000 |
| Other Sources (Uses) | -- | -- |
| Total Other Financing Sources (Uses) | 112,500 | (10,000) |
| | | |
| Net Change in Fund Balance(2) | 1,194,678 | (880,304) |
| | | |
| Fund Balance, July 1(3) | 15,655,778 | 19,043,284 |
| Fund Balance, June 30 | $16,850,456 | $18,162,979 |

(1) Columns may not add to sum due to rounding.
(2) Changes between Budget adoption to Second Interim attributed primarily to STRS and PERS on-behalf contributions and salary adjustments reflected following budget adoption.
(3) Beginning fund balances as shown in Second Interim Report. Does not correspond directly to audited ending balance due to reserves which are accounted for separately for purposes of budget and interim reporting documents, but are included in audited figures.
*Source: Mill Valley School District.*

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

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

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01. The District cannot predict how the foregoing legislation and reserve caps could impact its reserves and future spending.

The adopted State Budget for fiscal year 2019-20 provides for an initial deposit into the Public School System Stabilization Account of the State of approximately $376.5 million. This amount is not sufficient to trigger the reserve cap provided for by SB 858, as amended by SB 751. See also "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 State Budget."

The District cannot predict when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 State Budget."

## Attendance - Revenue Limit and LCFF Funding

ADA and Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance ("**ADA**"). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts which are not Basic Aid districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. Since 2017-18, the District has been funded as Basic Aid. The following table sets forth historical funding for the District for fiscal years 2014-15 through 2019-20 (Projected).

**AVERAGE DAILY ATTENDANCE AND FUNDING (LCFF/BASIC AID)**
**Fiscal Years 2014-15 through 2019-20**
**Mill Valley Unified District**

| Fiscal Year | ADA | Total Funding - LCFF/Basic Aid |
|---|---|---|
| 2014-15 | 3,136 | $20,535,551 |
| 2015-16 | 3,117 | 22,131,113 |
| 2016-17 | 3,021 | 23,031,977 |
| 2017-18 | 2,971 | 24,367,004* |
| 2018-19 | 2,841 | 25,088,984* |
| 2019-20† | 2,742 | 25,297,477* |

*Basic Aid funded status.
† Projection.
*Source: Mill Valley School District.*

Targeted Student Enrollment. The District has a Target Student unduplicated count of approximately 6.52% in fiscal year 2019-20, and as such, if it were funded under LCFF, it would not be entitled to supplemental or concentration grant funding under the LCFF funding fomula.

Possible Impacts of Coronavirus. As described herein, the short-term and long-term impact of the Coronavirus on the District's attendance, revenues and local property values (if any) cannot be predicted. See "SECURITY FOR THE BONDS – *Ad Valorem* Taxes – Disclosure Relating to the Coronavirus."

## Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

The District is a Community Funded District in fiscal year 2019-20. From fiscal year 2013-14 through fiscal year 2016-17, the District was not in this category, given that the State provided per student funding that exceeded local property tax revenues. With declines in enrollment and increases in assessed valuations of property in the District, however, the District's revenues since fiscal year 2017-18 and to date, and for the foreseeable future, are expected to be based on basic aid funding.

***Federal Revenues.*** The federal government provides funding for several District programs, including programs under Every Student Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

***Other State Revenues.*** As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues. The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material. For additional discussion of State aid to school districts, see "– State Funding of Education."

***Other Local Revenues.*** In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources (for example, parcel taxes, foundation donations and parent teacher association (PTA) revenues). In fiscal year 2018-19, for example, the District received the following:

- Approximately $11.8 million from two local parcel taxes. The larger of the two parcel taxes, accounting for approximately 82% of total parcel tax revenues, was renewed by the voters in November 2016, and has a sunset date of June 30, 2029. The smaller parcel tax has a sunset date of June 30, 2021.

- Approximately $2,884,103 million from its affiliated foundation.

- Approximately $1 million from the PTA.

- Approximately $1,203,599 million from leases of District-owned property.

**District Retirement Systems**

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

***Implementation of GASB Nos. 68 and 71***. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the District was required to reflect a restatement of its beginning net position as of July 1, 2014. See "APPENDIX B – Audited Financial Statements of the District for Fiscal Year Ending June 30, 2019."

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

**STRS Contributions**
**Mill Valley School District**
**Fiscal Years 2013-14 through 2019-20 (Projected)***

| Fiscal Year | Amount* |
|---|---|
| 2013-14 | $1,350,300 |
| 2014-15 | 1,543,377 |
| 2015-16 | 3,992,812 |
| 2016-17 | 4,474,062 |
| 2017-18 | 4,397,976 |
| 2018-19 | 6,925,701 |
| 2019-20(1) | 6,463,015 |

*Increases attributed to increases in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions as expenses in governmental funds.
(1) Second Interim Projection.
*Source: Mill Valley School District.*

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to fund the unfunded actuarial obligation with respect to service credited members of the STRS Defined Benefit Program before July 1, 2014, within 32 years. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

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

**EMPLOYER CONTRIBUTION RATES (STRS)**
**Fiscal Years 2019-20 through 2022-23**

| Fiscal Year | Employer Contribution Rate(1) |
|---|---|
| 2019-20 | 18.13% |
| 2020-21 | 19.10 |
| 2021-22(2) | 18.60 |
| 2022-23(2) | 18.10 |

(1) Expressed as a percentage of covered payroll.
(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
*Source: AB 1469.*

The State's fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. The STRS employer contribution rate for fiscal year 2019-20 is expected to be 17.1% (reduced from 18.13%) and for fiscal year 2020-21 is expected to be 18.4% (reduced from 19.10%). The State contribution rate is currently in an amount equal to 10.328% for fiscal year 2019-20. The STRS Board has stated that it expects to exercise its authority to increase the rate of contribution by the State by the maximum of 0.5% for the three years following the 2019-20 fiscal year.

***PERS***. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

**PERS Contributions**
**Mill Valley School District**
**Fiscal Years 2013-14 through 2019-20 (Projected)***

| Fiscal Year | Amount |
|---|---|
| 2013-14 | $581,650 |
| 2014-15 | 651,037 |
| 2015-16 | 672,317 |
| 2016-17 | 1,272,255 |
| 2017-18 | 1,868,199 |
| 2018-19 | 2,474,356 |
| 2019-20(1) | 1,599,595 |

*Increases attributed to increases in employer contribution rates.
(1) Second Interim Projection.
*Source: Mill Valley School District.*

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

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

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

*Source: PERS.*

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

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2020-21 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)**
**Fiscal Years 2019-20 through 2020-21(1)**

| Fiscal Year | Employer Contribution Rate(2) |
|---|---|
| 2019-20 | 20.800% |
| 2020-21 | 23.500 |

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
*Source: PERS*

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

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

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

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

***Additional Information.*** Additional information regarding the District's retirement programs is available in Note 8 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

**Other Post-Employment Retirement Benefits**

***Plan Descriptions***. The Post-Employment Benefits Plan (the "**Plan**") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, prescription drug, vision and dental insurance benefits to eligible employees and retirees through the Self-Insured Schools of California. Dental and vision are not District-paid for retirees. As of June 30, 2019, the District had 324 eligible active employees and 4 eligible retirees receiving benefits under the Plan.

The District provides varying coverage to retirees from various employee groups. Plan benefits and contribution agreements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future and, thus, benefits and costs are subject to change. For detailed employee coverages and benefits provided, see Note 7 of APPENDIX B to the Official Statement.

***Funding Policy***. During fiscal year 2012-13, the District joined the California Employers' Retiree Benefit Trust ("**CERBT**") Fund, which is an investment vehicle that can be used by all California public employers to prefund future retiree health and other post-employment benefit costs. The trust is administered by CalPERS. The District made annual contributions of $600,000 for fiscal years 2013/14, 2014/15 and 2015/16, for the sole purpose of prefunding retiree medical benefit costs. There are three investment options offered by the CERBT Fund, of which the District has chosen to participate in the CERBT Strategy 1 portfolio. As a result, the District owns a percentage of the CERBT Strategy 1 portfolio. The District will continue to pay for OPEB on a pay-as-you-go basis and both the District and retirees share in the cost of benefits.

***Actuarial Assumptions and Other Inputs.*** The District's total OPEB liability of $4,628,504 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. The results of the June 30, 2018 actuarial valuation were rolled forward using standard actuarial methods in order to determine the change in actuarial ssumptions for the 2018-19 fiscal year. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.25%, salary increases 3.00%, average, including inflation, discount rate 6.75%, net of investment expense, including inflation, and healthcare cost trend rates 8.00% for 2019-20, decreasing to 5.00% for 2022-23 and after. The retirees' share of costs is based on the retirees' current cost sharing provision, assumed to remain in effect for all future years. The discount rate was set to equal the long term rate of return less an 84 basis point margin for adverse deviations, as permitted by CERBT. For the year ended June 30, 2019, the annual money-weigthed rate of return on investments, net of investment expense, was 6.5%. Morality rates were based on the RP-2014 Empoyee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030-2049, and 20% of MP-2016 for 2050 and thereafter.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

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

**CHANGES IN TOTAL OPEB LIABILITY**
**Mill Valley School District**

| | Total OPEB Liability |
|---|---|
| Balance at June 30, 2018 | $5,813,910 |
| Service Cost | 524,412 |
| Interest | 396,756 |
| Changed in asumptions or other inputs* | (2,025,349) |
| Benefit payments (including implicit subsidy) | (81,225) |
| Net changes | (1,185,406) |
| Balance at June 30, 2019 | $4,628,504[(1)] |

* Due to changes in actuarial firms, the experience gain/loss has been included in the change in assumptions
(1) The Plan Fiduciary Net Position as of June 30, 2019 is $4,831,451, resulting in a net OPEB liability for the District of ($202,947).
*Source: Mill Valley Unified School District Audit Report.*

***OPEB Expense.*** For the year ended June 30, 2019, the District recognized an OPEB expense of $645,912.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 7 of Appendix B to the Official Statement.

## Long-Term Debt

In addition to debt relating to pensions, the District has outstanding debt in the form of voter-approved general obligation bonds and refunding general obligation bonds, which are secured by *ad valorem* property taxes levied and collected in the District. The following table shows the outstanding general obligation bonded debt of the District

**SUMMARY OF OUTSTANDING GENERAL OBLIGATION DEBT**
**Mill Valley School District**

| Date Issued | Series | Final Maturity | Amount of Original Issue | Outstanding* March 1, 2020 |
|---|---|---|---|---|
| 08/01/1995 | General Obligation Bonds, Election of 1994, Series B (Capital Appreciation Bonds) | 08/01/2020 | $4,896,793 | $152,091 |
| 02/01/1996 | General Obligation Bonds, Election of 1994, Series C (Capital Appreciation Bonds) | 08/01/2020 | 8,795,809 | 288,524 |
| 07/23/1998 | General Obligation Bonds, Election of 1998, Series A (Capital Appreciation Bonds) | 08/01/2023 | 7,697,300 | 907,481 |
| 04/19/2012 | General Obligation Bonds, Election of 2009, Series B** | 08/01/2039 | 30,605,000 | 29,525,000 |
| 10/19/2017 | 2017 General Obligation Refunding Bonds | 08/01/2034 | 30,455,000 | 30,455,000 |
| | Total | | **$82,449,902** | **$61,328,096** |

*With respect to capital appreciation bonds, represents original denominational amount only; does not include accreted interest.
**Expected to be partially defeased with proceeds of the Bonds, as described herein. See “THE REFINANCING PLAN.”
*Source: Mill Valley School District.*

## Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Marin County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. The most recent Investment Policy adopted by the Board of Supervisors of the County and the most recent available quarterly investment report are attached hereto as Appendix G.

## Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see “—State Funding of Education; Recent State Budgets – Revenue Limits” above). State funds typically make up the majority of a district’s LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" below.

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

***General.*** The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

*The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.*

***The Budget Process.*** The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

## Recent State Budgets

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

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

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

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

***Prior Years' Budgeting Techniques.*** Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools until a later date in the fiscal year or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2019-20 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election and Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

***2013-14 State Budget: Significant Change in Education Funding**.* As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

## 2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of $214.8 billion, with $147.8

billion in general fund spending. The 2019-20 State Budget provides for $81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $2.7 billion, or 3.4%, from the 2018-19 State budget. Of that $81.1 billion, $62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a $900 million reserve for safety net programs. Other significant features of the 2019-20 State Budget include:

- $1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional $1.2 million of ongoing Proposition 51 bond funds;
- $5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;
- $300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;
- $645.3 million ongoing funding for special education, including $152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.
- $147.4 million one-time and ongoing funding to address the shortage of teachers;
- $918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;
- $518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding $530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;
- $460 million one-time general funding to increase the quality and availability of child care, including $263 million for child care and preschool facilities expansion and $195 million for childcare and preschool workforce development;
- one-time funding of $750 million to support local governments in increasing and accelerating housing production; and
- one-time funding of $650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

**2020-21 Proposed State Budget**

On January 10, 2020, the Governor released the proposed State budget for fiscal year 2020-21 (the "**2020-21 Proposed State Budget**"), noting that while economic expansion is occurring, there are growing risks facing the State, including risks caused by climate change and uncertainty regarding the political climate and federal policies. The 2020-21 Proposed State Budget projects general fund revenues in fiscal year 2020-21 of approximately $155 billion (including a prior year balance of approximately $8.5 billion) and expenditures of approximately $149.7 billion. The 2020-21 Proposed State Budget continues to build State reserves, with $21 billion set aside in reserve funds. The 2020-21 Proposed State Budget maintains $900 million in the Safety Net Reserve, sets aside $110 million in the Public School System Stabilization Account, and allocates $3.1 billion in a Special Fund for Economic Uncertainties. In addition, the 2020-21 Proposed State Budget estimates the Rainy Day Fund will have a fund balance of approximately $18 billion in fiscal year 2020-21 and $19.4 billion by 2023-24.

The 2020-21 Proposed State Budget raises the Proposition 98 funding for school districts and community college districts for fiscal year 2020-21 to $84 billion, a new all-time high, which reflects a 2.29% cost of living adjustment and includes an additional $1.2 billion in Proposition 98 funding for the LCFF. The 2020-21 Proposed State Budget also confirms that school district reserve caps are not required for fiscal year 2021-22. The 2020-21 Proposed State Budget includes an includes one-time increases in Proposition 98 general fund resources of $350 million of educator workforce investment grants, $193 million for workforce development grants, $18 million to strengthen the capacity of local educational agencies in certain priority areas, and $10 million for credentialed teacher stipends. The Governor is required to release a revision to the Proposed State Budget by May 14 of each year.

**LAO Fiscal Perspective Reports (March 18, 2020 and April 15, 2020): COVID-19**

The LAO issued a fiscal perspective report on March 18, 2020 entitled "COVID-19 and California's Evolving Fiscal Outlook," concluding that the economic uncertainty caused by the Coronavirus emergency will significantly affect California's near-term fiscal outlook. Key takeaways from the report are as follows:

> ***Volatility in Financial Markets Indicate Lower Capital Gains-Related Tax Revenue.*** Taxes on capital gains are a significant source of State revenue, but they are difficult to forecast because of their correlation to stock market performance. The LAO states that the volatility of financial markets indicate lower capital gains-related tax revenue. With the market now well below the budget assumption, absent a more rapid recovery than has occurred in any modern market downturn of this severity, it appears likely that the average price level will wind up lower than the budget assumption. The LAO projects there is a high likelihood that tax revenues from capital gains income will be several billion dollars lower than what the Governor's budget assumed.
>
> ***COVID-19 Response Brings Economic Activity to a Halt.*** For the broader economy, the LAO stated that the odds of a recession have increased substantially due to the pullback in activity across wide swaths of the economy. The abrupt and nearly across-the-board curtailment of spending that is now underway sets it apart from previous downturns. An optimistic scenario is that the economy would experience a sharp but comparatively short-lived downturn lasting one or two months. Under a more pessimistic scenario, economic activity would remain

depressed for longer, compounded by dislocated supply chains and reduced lending caused by elevated risk aversion in credit markets. The type of contraction the state, national, and global economies experience will have implications for revenue collections in the coming years.

***California's Strong Fiscal Position is a Key Advantage.*** The LAO notes, however, that California's budget entered 2020 on a strong footing due to strong budget reserves, the pay down of debt and multiyear balanced budgets during the economic expansion of previous years.

The LAO issued another fiscal perspective report on April 15, 2020 entitled "State Budget Effects of Recent Federal Actions to Address COVID-19," concluding that recent actions by the federal government will mitigate some of the adverse budgetary effects that the COVID-19 pandemic is likely to cause, but only a small portion of the federal funding allocated to date, being additional Medi-Cal funding, will assist the State with budgetary strain caused by lower revenues. Key information in the report is as follows:

***Sources of Potential Budget Problem.*** The State likely will face a budget problem at the time of the May Revision, resulting from COVID-19. Specifically, the budget problem will arise from higher direct costs to respond to the public health emergency, higher indirect costs as a result of changes in the economy, and lower revenues as a result of changes in the economy.

***Federal Legislation May Affect State Budget.*** Recent federal legislation could help reduce budgetary strain at the State level. This includes funds under the CARES Act which established the Coronavirus Relief Fund, and which the U.S. Department of the Treasury has indicated the State is eligible for $15.3 billion to be shared between the State and local governments, with the State's eligibility without regard to local governments estimated at $9.5 billion. Said funds are available to provide relief for direct and possibly indirect higher costs resulting from COVID-19, but not revenue losses. Additional federal aid in the form of increases to funding under Medicaid and unemployment insurance, which is a federal-state program, could also provide potential benefits to the State's budget. Education relief funding could provide some additional relief, although this form of relief will mainly accrue to the State's educational institutions.

The current and proposed State budgets are expected to be impacted by the COVID-19 emergency described herein. The District cannot predict the impact that the COVID-19 emergency and the 2019-20 State Budget, or subsequent state budgets, including adjustments made for economic conditions, will have on its own finances and operations.

***Disclaimer Regarding State Budgets.*** The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2019-20 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

***Availability of State Budgets.*** The complete 2019-20 State Budget and 2020-21 Proposed State Budget are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

***Uncertainty Regarding Future State Budgets***. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

**Legal Challenges to State Funding of Education**

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

*[Remainder of page intentionally left blank]*

# CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 39 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

## Constitutionally Required Funding of Education

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

## Article XIIIA of the California Constitution

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

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

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

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

***Inflationary Adjustment of Assessed Valuation.*** As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

**Article XIIIB of the California Constitution**

Article XIIIB (**"Article XIIIB"**) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

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

**Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (**"unitary property"**). Under the State Constitution, such property is assessed by the State Board of Equalization (**"SBE"**) as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

**Articles XIIIC and XIIID**

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

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

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

**Proposition 98**

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

**Proposition 111**

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

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

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

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

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

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

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

**Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as **"Proposition 39"**) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

**Proposition 30 and Proposition 55**

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers and over, $340,000 but less than $408,000 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers and over $408,000 but less than $680,000 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales and excise tax increases of Proposition 30.

**Proposition 1A and Proposition 22**

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

State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

**California Senate Bill 222**

Senate Bill 222 (**"SB 222"**) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by *ad valorem* tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

**Future Initiatives**

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

# APPENDIX B

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

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# MILL VALLEY SCHOOL DISTRICT
## COUNTY OF MARIN
## MILL VALLEY, CALIFORNIA

## AUDIT REPORT

## JUNE 30, 2019

**MILL VALLEY SCHOOL DISTRICT**

**JUNE 30, 2019**

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FINANCIAL SECTION

***STEPHEN ROATCH ACCOUNTANCY CORPORATION***
*Certified Public Accountants*

# INDEPENDENT AUDITOR'S REPORT

Board of Education
Mill Valley School District
Mill Valley, California

## Report on the Financial Statements

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

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mill Valley Schools Community Foundation (Kiddo!), which represents 100% of the assets, liabilities, net assets, revenues and expenses of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kiddo!, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



*P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815*

Opinions

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

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedule of OPEB contributions, schedule of investment returns, schedules of the proportionate share of the net pension liabilities, and schedules of contributions 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 Mill Valley School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is also not a required part of the basic financial statements.

The supplementary information listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 supplementary information listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

<u>Other Matters (Concluded)</u>

*Other Information (Concluded)*

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of the Mill Valley 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 the Mill Valley 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 Standard*s in considering Mill Valley School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2019

(PREPARED BY DISTRICT MANAGEMENT)

This section of Mill Valley School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 21, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

## FINANCIAL HIGHLIGHTS

- On the Statement of Activities, total current year revenues exceeded total current year expenses by $4,943,662.

- Net capital assets decreased $1,908,294 due to depreciation expense growing at a faster rate than acquisitions and construction.

- Total long-term liabilities decreased $2,954,754, due to current year payments on the outstanding general obligation bonds and due to the decrease in the District's net OPEB liability.

- The District's P-2 average daily attendance (ADA) decreased from 2,971 in fiscal year 2017-18, down to 2,841 in fiscal year 2018-19, a decrease of 130 ADA or 4.4%.

- The District's General Fund produced an operating surplus of $2,454,889 and reported a $2,291,054 increase in its available reserves.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other financing uses (total outgo). During fiscal year 2018-19, General Fund expenditures and other financing uses totaled $46,740,867. At June 30, 2019, the District had available reserves of $13,930,312 which represents a reserve of 29.8%.

- As of June 30, 2019, the fair market value of investments held in the California Employers' Retiree Benefit Trust (CERBT) fund has increased to $4,831,451. These funds have been set aside to prefund the District's retiree benefit obligations.

## THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

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

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements, as applicable.

    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

### Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

## THE FINANCIAL REPORT (CONCLUDED)

### Reporting the District as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities all amounts presented represent governmental activities, since the District does not provide any services that should be categorized as business-type activities.

The basic services provided by the District, such as regular education and administration are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues and state and federal programs.

### Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

The major governmental funds of Mill Valley School District are the General Fund, Bond Interest and Redemption Fund, and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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 operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

### Comparative Statement of Net Position

| | Governmental Activities | |
|---|---|---|
| | 2018 | 2019 |
| **Assets** | | |
| Deposits and Investments | $ 25,713,767 | $ 30,769,108 |
| Receivables | 990,593 | 961,753 |
| OPEB Asset | 0 | 202,947 |
| Capital Assets, net | 64,033,594 | 62,125,300 |
| Total Assets | 90,737,954 | 94,059,108 |
| **Deferred Outflows of Resources** | | |
| Pension Deferrals | 12,960,940 | 12,858,747 |
| Bond Refunding | 1,206,667 | 1,126,667 |
| Total Deferred Outflows of Resources | 14,167,607 | 13,985,414 |
| **Liabilities** | | |
| Current | 7,499,121 | 7,289,857 |
| Long-term | 113,573,666 | 110,456,301 |
| Total Liabilities | 121,072,787 | 117,746,158 |
| **Deferred Inflows of Resources** | | |
| OPEB Deferrals | 0 | 1,854,580 |
| Pension Deferrals | 4,306,528 | 3,973,876 |
| Total Deferred Inflows of Resources | 4,306,528 | 5,828,456 |
| **Net Position** | | |
| Net Investment in Capital Assets (Deficit) | (146,659) | (857,754) |
| Restricted for Debt Service (Deficit) | (2,853,534) | (576,283) |
| Restricted - Other Purposes | 1,391,718 | 1,731,999 |
| Unrestricted (Deficit) | (18,865,279) | (15,828,054) |
| Total Net Position (Deficit) | $ (20,473,754) | $ (15,530,092) |

*Table includes financial data of the combined governmental funds.*

The restricted for debt service deficit balance primarily reflects that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund.

The unrestricted deficit balance is due primarily to the requirement for the District to record a liability in the financial statements to reflect the total OPEB liability and the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The District's total current year revenues exceeded total current year expenses by $4,943,662.

### Comparative Statement of Changes in Net Position

| | Governmental Activities 2018 | Governmental Activities 2019 |
|---|---|---|
| Program Revenues | | |
| Charges for Services | $ 610,060 | $ 607,894 |
| Operating Grants & Contributions | 7,808,050 | 9,805,638 |
| General Revenues | | |
| Taxes Levied | 39,028,742 | 40,091,611 |
| Federal & State Aid | 3,369,173 | 5,816,029 |
| Interest & Investment Earnings | 204,489 | 404,465 |
| Miscellaneous | 1,809,503 | 1,881,373 |
| Total Revenues | 52,830,017 | 58,607,010 |
| Expenses | | |
| Instruction | 31,109,542 | 32,586,656 |
| Instruction-Related Services | 5,843,578 | 6,236,911 |
| Pupil Services | 2,668,489 | 3,121,542 |
| General Administration | 3,686,421 | 4,017,374 |
| Plant Services | 3,995,975 | 4,486,822 |
| Interest on Long-Term Debt | 3,684,190 | 2,575,760 |
| Other Outgo | 868,714 | 638,283 |
| Total Expenses | 51,856,909 | 53,663,348 |
| Changes in Net Position | $ 973,108 | $ 4,943,662 |

*Table includes financial data of the combined governmental funds.*

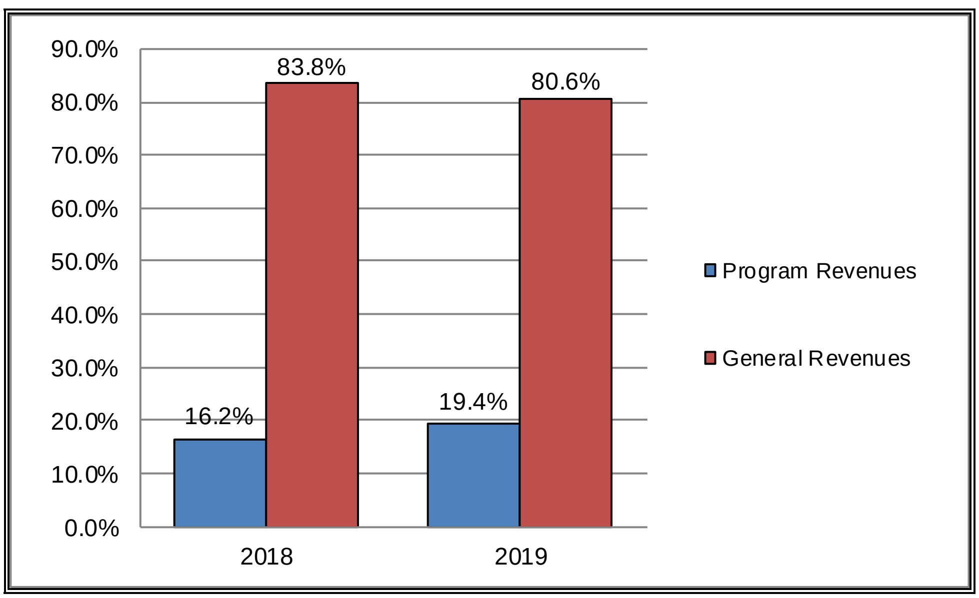
## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

### Comparative Schedule of Costs of Services

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2018 | 2019 | 2018 | 2019 |
| Instruction | $ 31,109,542 | $ 32,586,656 | $ 24,833,708 | $ 24,657,524 |
| Instruction-Related Services | 5,843,578 | 6,236,911 | 5,233,686 | 5,435,410 |
| Pupil Services | 2,668,489 | 3,121,542 | 1,548,495 | 1,885,050 |
| General Administration | 3,686,421 | 4,017,374 | 3,575,348 | 3,836,676 |
| Plant Services | 3,995,975 | 4,486,822 | 3,847,591 | 4,385,089 |
| Interest on Long-Term Debt | 3,684,190 | 2,575,760 | 3,684,190 | 2,575,760 |
| Other Outgo | 868,714 | 638,283 | 715,781 | 474,307 |
| Totals | $ 51,856,909 | $ 53,663,348 | $ 43,438,799 | $ 43,249,816 |

*Table includes financial data of the combined governmental funds.*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $43,249,816 total net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



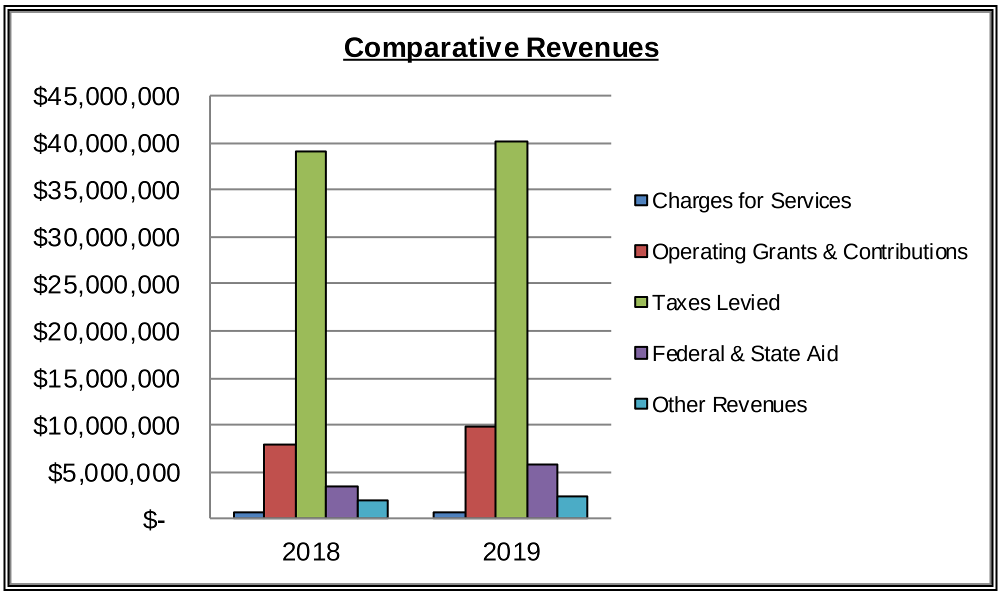

For fiscal year 2018-19, program revenues financed 19.4% of the total cost of providing the services listed above, while the remaining 80.6% was financed by the general revenues of the District.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

### Summary of Revenues For Governmental Functions

| | FYE 2018 Amount | Percent of Total | FYE 2019 Amount | Percent of Total |
|---|---|---|---|---|
| Program Revenues | | | | |
| Charges for Services | $ 610,060 | 1.15% | $ 607,894 | 1.04% |
| Operating Grants & Contributions | 7,808,050 | 14.78% | 9,805,638 | 16.73% |
| General Revenues | | | | |
| Taxes Levied | 39,028,742 | 73.88% | 40,091,611 | 68.41% |
| Federal & State Aid | 3,369,173 | 6.38% | 5,816,029 | 9.92% |
| Other Revenues | 2,013,992 | 3.81% | 2,285,838 | 3.90% |
| Total Revenues | $ 52,830,017 | 100.00% | $ 58,607,010 | 100.00% |

*Table includes financial data of the combined governmental funds.*

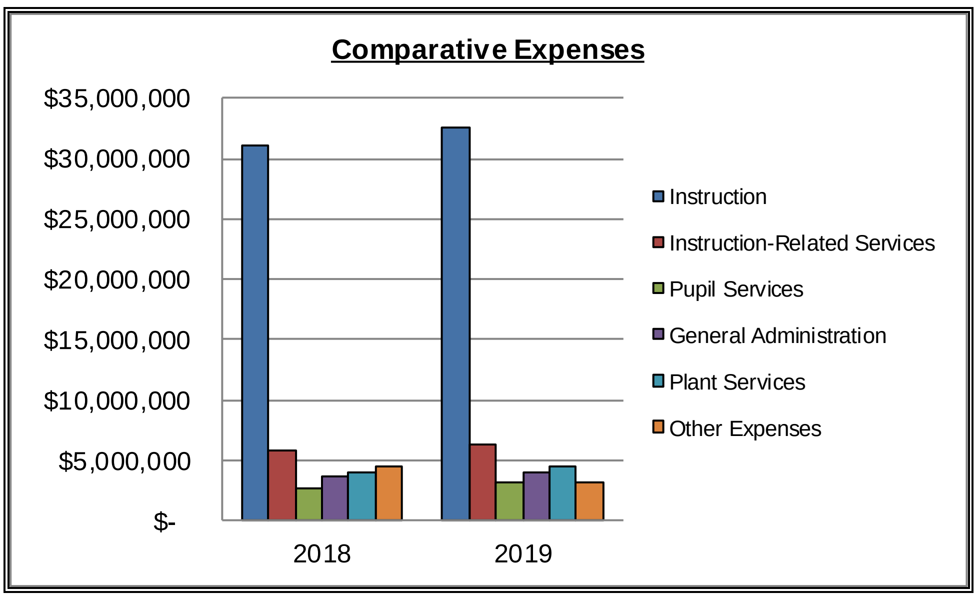


## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

### Summary of Expenses For Governmental Functions

| | FYE 2018 Amount | Percent of Total | FYE 2019 Amount | Percent of Total |
|---|---|---|---|---|
| Expenses | | | | |
| Instruction | $ 31,109,542 | 59.99% | $ 32,586,656 | 60.72% |
| Instruction-Related Services | 5,843,578 | 11.27% | 6,236,911 | 11.62% |
| Pupil Services | 2,668,489 | 5.15% | 3,121,542 | 5.82% |
| General Administration | 3,686,421 | 7.11% | 4,017,374 | 7.49% |
| Plant Services | 3,995,975 | 7.71% | 4,486,822 | 8.36% |
| Other Expenses | 4,552,904 | 8.78% | 3,214,043 | 5.99% |
| Total Expenses | $ 51,856,909 | 100.00% | $ 53,663,348 | 100.00% |

*Table includes financial data of the combined governmental funds.*



## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

### Comparative Schedule of Capital Assets

| | Governmental Activities | |
|---|---|---|
| | 2018 | 2019 |
| Land | $ 1,673,666 | $ 1,673,666 |
| Sites and Improvements | 8,162,975 | 8,448,376 |
| Buildings and Improvements | 96,443,572 | 96,443,572 |
| Furniture and Equipment | 512,900 | 512,900 |
| Construction-in-Progress | 134,990 | 0 |
| Subtotals | 106,928,103 | 107,078,514 |
| Less: Accumulated Depreciation | (42,894,509) | (44,953,214) |
| Capital Assets, net | $ 64,033,594 | $ 62,125,300 |

Net capital assets decreased $1,908,294 due to depreciation expense growing at a faster rate than acquisitions and construction.

### Comparative Schedule of Long-Term Liabilities

| | Governmental Activities | |
|---|---|---|
| | 2018 | 2019 |
| Compensated Absences | $ 118,086 | $ 120,629 |
| General Obligation Bonds | 73,181,207 | 69,914,909 |
| Net OPEB Liability | 1,771,872 | 0 |
| Net Pension Liability | 42,334,165 | 44,415,038 |
| Totals | $ 117,405,330 | $ 114,450,576 |

Total long-term liabilities decreased $2,954,754, due to current year payments on the outstanding general obligation bonds and due to the decrease in the District's net OPEB liability.

The general obligation bonds are financed by the local taxpayers and represent 61% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on all of its debt issues. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

## FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund increased $2,454,889 during fiscal year 2018-19. The Capital Projects - Special Reserve Fund increased $2,695,414 due to receipt of state facilities funding, and combined fund balances of all other District governmental funds increased $244,677.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. The original budget, approved at the end of June, is based on May Revise figures and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Adjustments at First and Second Interim.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- On November 8, 2016, the qualified voters of the District voted to approve a measure to renew the existing measure and authorize the District to collect a tax of $980 per parcel, beginning in 2017-18, including 5 percent annual increases for 12 years to provide school funds.

- On November 6, 2012 the qualified voters of the District voted to approve a measure to authorize a special tax for the purpose of providing specified educational programs for a period of eight years. The special tax of $196.00 per year per parcel commences July 1, 2013 and adjusts annually commensurate with the annual percentage increase to the San Francisco-Oakland-San Jose Price Index (CPI), not to exceed 3% per year and expires June 30, 2021.

- Employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the near future. In addition, there is an increasing risk of an economic downturn as the current expansion cycle has exceeded most previous cycles. The Governor and Department of Finance continue to urge the Legislation and local governments, including local education agencies, to plan for the next recession.

- Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact the District Office, Mill Valley School District, 411 Sycamore Avenue, Mill Valley, California 94941.

BASIC FINANCIAL STATEMENTS

**MILL VALLEY SCHOOL DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2019**

| | Primary Government | Component Unit |
|---|---|---|
| | **Governmental Activities** | **Foundation** |
| ***Assets*** | | |
| Deposits and Investments (Note 2) | $ 30,769,108 | $ 9,669,523 |
| Receivables (Note 3) | 961,753 | 155,141 |
| Net OPEB Asset (Note 7) | 202,947 | |
| Capital Assets, Not Depreciated (Note 5) | 1,673,666 | |
| Capital Assets, Net of Accumulated Depreciation | 60,451,634 | 5,148 |
| Total Assets | 94,059,108 | 9,829,812 |
| ***Deferred Outflows of Resources*** | | |
| Pension Deferrals (Note 8) | 12,858,747 | |
| Bond Refunding (Note 1H) | 1,126,667 | |
| Total Deferred Outflows of Resources | 13,985,414 | 0 |
| ***Liabilities*** | | |
| Accounts Payable and Other Current Liabilities | 2,371,855 | 318 |
| Accrued Interest Payable | 880,247 | |
| Unearned Revenue (Note 1H) | 43,480 | |
| Long-Term Liabilities: | | |
| *Portion Due or Payable Within One Year:* | | |
| Compensated Absences (Note 1H) | 120,629 | |
| General Obligation Bonds (Note 6) | 3,873,646 | |
| *Portion Due or Payable After One Year:* | | |
| General Obligation Bonds (Note 6) | 66,041,263 | |
| Net Pension Liabilities (Note 8) | 44,415,038 | |
| Total Liabilities | 117,746,158 | 318 |
| ***Deferred Inflows of Resources*** | | |
| OPEB Deferrals (Note 7) | 1,854,580 | |
| Pension Deferrals (Note 8) | 3,973,876 | |
| Total Deferred Inflows of Resources | 5,828,456 | 0 |
| ***Net Position*** | | |
| Net Investment in Capital Assets (Deficit) | (857,754) | |
| Restricted: | | |
| For Capital Projects | 42,587 | |
| For Debt Service (Deficit) | (576,283) | |
| For Educational Programs | 1,635,144 | |
| For Other Purposes | 54,268 | 865,837 |
| Unrestricted (Deficit) | (15,828,054) | 8,963,657 |
| Total Net Position (Deficit) | $ (15,530,092) | $ 9,829,494 |

## MILL VALLEY SCHOOL DISTRICT
## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | |
|---|---|---|---|---|---|
| | | | | Primary Government | Component Unit |
| **Functions** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Governmental Activities** | **Foundation** |
| ***Governmental Activities*** | | | | | |
| Instruction | $ 32,586,656 | | $ 7,929,132 | $ (24,657,524) | |
| Instruction-Related Services: | | | | | |
| Supervision of Instruction | 841,864 | | 171,406 | (670,458) | |
| Instructional Library and Technology | 1,304,602 | | 304,184 | (1,000,418) | |
| School Site Administration | 4,090,445 | | 325,911 | (3,764,534) | |
| Pupil Services: | | | | | |
| Home-to-School Transportation | 274,662 | | | (274,662) | |
| Food Services | 759,380 | $ 607,894 | 93,533 | (57,953) | |
| Other Pupil Services | 2,087,500 | | 535,065 | (1,552,435) | |
| General Administration: | | | | | |
| Data Processing Services | 956,993 | | 26,662 | (930,331) | |
| Other General Administration | 3,060,381 | | 154,036 | (2,906,345) | |
| Plant Services | 4,486,822 | | 101,733 | (4,385,089) | |
| Interest on Long-Term Debt | 2,575,760 | | | (2,575,760) | |
| Other Outgo | 638,283 | | 163,976 | (474,307) | |
| Total Governmental Activities | $ 53,663,348 | $ 607,894 | $ 9,805,638 | (43,249,816) | |
| ***Component Unit*** | | | | | |
| Foundation | $ 3,678,058 | | | | $ (3,678,058) |
| Totals | | | | | |
| ***General Revenues*** | | | | | |
| Taxes Levied for General Purposes | | | | 22,756,916 | |
| Taxes Levied for Debt Service | | | | 5,990,952 | |
| Taxes Levied for Specific Purposes | | | | 11,343,743 | |
| Federal and State Aid - Unrestricted | | | | 5,816,029 | |
| Interest and Investment Earnings | | | | 404,465 | 390,935 |
| Gifts and Contributions | | | | | 3,299,173 |
| Miscellaneous | | | | 1,881,373 | |
| Total General Revenues | | | | 48,193,478 | 3,690,108 |
| Changes in Net Position | | | | 4,943,662 | 12,050 |
| Net Position (Deficit) - July 1, 2018 | | | | (20,473,754) | 9,817,444 |
| Net Position (Deficit) - June 30, 2019 | | | | $ (15,530,092) | $ 9,829,494 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MILL VALLEY SCHOOL DISTRICT**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2019**

| | General | Bond Interest and Redemption | Capital Projects - Special Reserve | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| ***Assets*** | | | | | |
| Deposits and Investments (Note 2) | $ 20,722,037 | $ 6,109,152 | $ 3,825,894 | $ 112,025 | $ 30,769,108 |
| Receivables (Note 3) | 948,847 | | | 12,906 | 961,753 |
| Total Assets | $ 21,670,884 | $ 6,109,152 | $ 3,825,894 | $ 124,931 | $ 31,730,861 |
| ***Liabilities and Fund Balances*** | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | $ 2,338,279 | | | $ 33,576 | $ 2,371,855 |
| Unearned Revenue (Note 1H) | 43,480 | | | | 43,480 |
| Total Liabilities | 2,381,759 | | | 33,576 | 2,415,335 |
| Fund Balances: (Note 10) | | | | | |
| Nonspendable | 5,500 | | | | 5,500 |
| Restricted | 1,635,144 | $ 6,109,152 | | 91,355 | 7,835,651 |
| Assigned | 3,718,169 | | $ 3,825,894 | | 7,544,063 |
| Unassigned | 13,930,312 | | | | 13,930,312 |
| Total Fund Balances | 19,289,125 | 6,109,152 | 3,825,894 | 91,355 | 29,315,526 |
| Total Liabilities and Fund Balances | $ 21,670,884 | $ 6,109,152 | $ 3,825,894 | $ 124,931 | $ 31,730,861 |

**MILL VALLEY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | | $ 29,315,526 |
| Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following: | | |
| Contributions to OPEB plans that are in excess of the actuarial determined total OPEB liability result in net OPEB assets that are not financial resources and therefore are not reported as assets in governmental funds. The amount of net OPEB assets recognized at year-end was: | | 202,947 |
| Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are: | | |
| Capital Assets | $ 107,078,514 | |
| Accumulated Depreciation | (44,953,214) | |
| Net | | 62,125,300 |
| Unamortized costs: In governmental funds, the gain or loss from debt refunding activities is recognized in the period they are incurred. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as deferred outflows of resources, are: | | 1,126,667 |
| Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Net deferred outflows and inflows relating to pensions are: | | 8,884,871 |
| Deferred outflows and inflows of resources related to other post employment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported. Net deferred outflows and inflows relating to OPEB are: | | (1,854,580) |
| Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are: | | |
| Compensated Absences | 120,629 | |
| General Obligation Bonds | 69,914,909 | |
| Net Pension Liabilities | 44,415,038 | |
| Total | | (114,450,576) |
| Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was: | | (880,247) |
| **Total Net Position (Deficit) - Governmental Activities** | | $ (15,530,092) |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MILL VALLEY SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES, AND**
**CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | General | Bond Interest and Redemption | Capital Projects - Special Reserve | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| ***Revenues*** | | | | | |
| LCFF Sources: | | | | | |
| State Apportionment / Transfers | $ 2,332,048 | | | | $ 2,332,048 |
| Local Taxes | 22,756,936 | | | | 22,756,936 |
| Total LCFF Sources | 25,088,984 | | | | 25,088,984 |
| Federal Revenue | 713,813 | | | $ 85,632 | 799,445 |
| State Revenue | 4,822,333 | $ 23,145 | $ 2,427,508 | 3,711 | 7,276,697 |
| Local Revenue | 18,570,626 | 6,027,065 | 42,906 | 801,287 | 25,441,884 |
| Total Revenues | 49,195,756 | 6,050,210 | 2,470,414 | 890,630 | 58,607,010 |
| ***Expenditures*** | | | | | |
| Current: | | | | | |
| Instruction | 30,199,278 | | | | 30,199,278 |
| Supervision of Instruction | 790,299 | | | | 790,299 |
| Instructional Library and Technology | 1,195,557 | | | | 1,195,557 |
| School Site Administration | 3,751,948 | | | | 3,751,948 |
| Home-To-School Transportation | 263,454 | | | | 263,454 |
| Food Services | 3,609 | | | 715,709 | 719,318 |
| Other Pupil Services | 1,909,863 | | | | 1,909,863 |
| Data Processing Services | 850,847 | | | | 850,847 |
| Other General Administration | 2,894,865 | | | | 2,894,865 |
| Plant Services | 4,082,453 | | | | 4,082,453 |
| Facilities Acquisition and Construction | 150,411 | | | | 150,411 |
| Other Outgo | 638,283 | | | | 638,283 |
| Debt Service: | | | | | |
| Principal Retirement | | 3,621,243 | | | 3,621,243 |
| Interest and Issuance Costs | | 2,144,211 | | | 2,144,211 |
| Total Expenditures | 46,730,867 | 5,765,454 | 0 | 715,709 | 53,212,030 |
| Excess of Revenues Over Expenditures | 2,464,889 | 284,756 | 2,470,414 | 174,921 | 5,394,980 |
| ***Other Financing Sources (Uses)*** | | | | | |
| Operating Transfers In | | | 225,000 | 10,000 | 235,000 |
| Operating Transfers Out | (10,000) | | | (225,000) | (235,000) |
| Total Other Financing Sources (Uses) | (10,000) | 0 | 225,000 | (215,000) | 0 |
| Net Change in Fund Balances | 2,454,889 | 284,756 | 2,695,414 | (40,079) | 5,394,980 |
| Fund Balances - July 1, 2018 | 16,834,236 | 5,824,396 | 1,130,480 | 131,434 | 23,920,546 |
| Fund Balances - June 30, 2019 | $ 19,289,125 | $ 6,109,152 | $ 3,825,894 | $ 91,355 | $ 29,315,526 |

**MILL VALLEY SCHOOL DISTRICT**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | | |
|---|---|---|
| **Net Change in Fund Balances - Governmental Funds** | | $ 5,394,980 |
| Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following: | | |
| Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is: | | |
| Capital Outlays | $ 150,411 | |
| Depreciation Expense | (2,058,705) | |
| Net | | (1,908,294) |
| Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as Other Financing Sources or Other Financing Uses in the period it is incurred In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. The premiums, discount, or gain or loss on debt refunding activities and the amortization for the period are: | | 28,646 |
| Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: | | (2,543) |
| Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: | | 3,621,243 |
| OPEB and Pensions: In government funds, OPEB and pension costs are recognized when employer contributions are made. In the statement of activities, OPEB and pension costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB and pension costs and actual employer contributions was: | | (1,730,175) |
| Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: | | (460,195) |
| **Change in Net Position of Governmental Activities** | | $ 4,943,662 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Mill Valley School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Education elected by registered voters of the District, which comprises an area in Marin County. The District was established in 1891 and serves students in kindergarten through grade eight.

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

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and *(a)* it is able to impose its will on that organization or *(b)* there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has *(a)* a separately elected governing board, *(b)* a governing board appointed by a higher level of government, or *(c)* a jointly appointed board.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if all of the following criteria are met:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that the Mill Valley Schools Community Foundation, Kiddo!, (the Foundation), a non-profit, public benefit corporation, meets the criteria set forth in GASB 39.

*Component Unit:*

The Foundation was established as a legally separate non-profit entity to support the District through fundraising activities. In addition, funds contributed by the Foundation to the District are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's annual financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity within the governmental activities column has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. 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 apportionments, the California Department of Education has defined available as collectible within one year.

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

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/Expenditures (Concluded):

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

D. Fund Accounting

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

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

*Special Revenue Funds* - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

*Debt Service Fund*s - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Capital Projects Funds -* Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major and non-major funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund. In accordance with Governmental Accounting Standards Board Statement No. 54 (GASB 54), the financial activities and balances of the Special Reserve Fund for Postemployment Benefits has been combined with the General Fund for financial reporting purposes.

The *Bond Interest and Redemption Fund* is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Major Governmental Funds (Concluded):

The *Capital Projects - Special Reserve Fund* is used to accumulate funds for major maintenance and capital outlay projects of the District. The proceeds from major dispositions of District property and state facility apportionments are accounted for in this fund.

Non-major Governmental Funds:

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 59.

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Encumbrances

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to $250,000 by the Federal Depository Insurance Corporation (FDIC).

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

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.

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

| Asset Class | Years |
|---|---|
| Sites and Improvements | 20 |
| Buildings and Improvements | 5-50 |
| Furniture and Equipment | 8-14 |

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

3. Deferred Outflows/Inflows of Resources

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

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

4. Unearned Revenue

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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

6. Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the District's OPEB Plan, and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District 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 interest earning investment contracts that have a maturity of one year or less, which are reported at cost.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' 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. Investments are reported at fair value.

8. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the year of issuance. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g. pre-paid items, permanent scholarships).

*Restricted Fund Balance* includes funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation (e.g. debt service, capital projects, state and federal grant funds).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Fund Balances (Concluded)

*Committed Fund Balance* consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The Governing Board delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The District established a minimum fund balance policy which requires a reserve for economic uncertainties, consisting of unassigned amounts equal to three (3) percent of general fund operating expenditures and other financing uses. In addition, in order to build a fiscally prudent reserve, the Governing Board has designated a target of two times the current year differential between community funded property taxes and the state aid funding guarantee.

At a minimum, the District reserve fund shall be at least the current year differential between community funded property taxes and the state aid funding guarantee; or one month's average operating expenditures, whichever is greater.

The District considers restricted fund balances to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

10. Local Control Funding Formula (LCFF)/Property Tax

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Marin is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Local Control Funding Formula (LCFF)/Property Tax (Concluded)

The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund and is known as LCFF State Aid.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019 consist of the following:

| | |
|---|---|
| Cash in Revolving Fund | $ 5,500 |
| County Pool Investments | 30,763,608 |
| Total | $ 30,769,108 |

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

County pool investments consist of District cash held by the Marin County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule 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 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 Marin County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

| Investment Type | Carrying Value | Fair Value | Weighted Average Days to Maturity |
|---|---|---|---|
| County Pool Investments | $ 30,763,608 | $ 30,975,793 | 218 |

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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. Investments in the County Treasury are not required to be rated.

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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

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 specific 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 reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

Uncategorized - Investments in the Marin 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, 2019:

| Investment Type | Fair Value | Uncategorized |
|---|---|---|
| County Pool Investments | $ 30,975,793 | $ 30,975,793 |

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2019 consist of the following:

| | General Fund | Non-Major Governmental Funds | Totals |
|---|---|---|---|
| Federal Government | $ 615,496 | $ 12,455 | $ 627,951 |
| State Government | 139,034 | 451 | 139,485 |
| Local Governments | 180,268 | | 180,268 |
| Miscellaneous | 14,049 | | 14,049 |
| Totals | $ 948,847 | $ 12,906 | $ 961,753 |

NOTE 4 - INTERFUND ACTIVITIES

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Transfers

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

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

Interfund Transfers (Concluded)

The interfund transfers for fiscal year 2018-19 were as follows:

| | |
|---|---|
| General Fund transfer to Cafeteria Fund to supplement the child nutrition program | $ 10,000 |
| Capital Facilities Fund transfer to Capital Projects - Special Reserve Fund to repay funds borrowed in prior years | 225,000 |
| Total | $ 235,000 |

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, is shown below:

| | Balances July 1, 2018 | Additions | Deletions | Balances June 30, 2019 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 1,673,666 | | | $ 1,673,666 |
| Construction-in-Progress | 134,990 | | $ 134,990 | 0 |
| Total Capital Assets Not Being Depreciated | 1,808,656 | $ 0 | 134,990 | 1,673,666 |
| Capital Assets Being Depreciated: | | | | |
| Sites and Improvements | 8,162,975 | 285,401 | | 8,448,376 |
| Buildings and Improvements | 96,443,572 | | | 96,443,572 |
| Furniture and Equipment | 512,900 | | | 512,900 |
| Total Capital Assets Being Depreciated | 105,119,447 | 285,401 | 0 | 105,404,848 |
| Less Accumulated Depreciation: | | | | |
| Sites and Improvements | 4,302,316 | 295,642 | | 4,597,958 |
| Buildings and Improvements | 38,183,533 | 1,736,894 | | 39,920,427 |
| Furniture and Equipment | 408,660 | 26,169 | | 434,829 |
| Total Accumulated Depreciation | 42,894,509 | 2,058,705 | 0 | 44,953,214 |
| Total Capital Assets Being Depreciated, Net | 62,224,938 | (1,773,304) | 0 | 60,451,634 |
| Capital Assets, Net | $ 64,033,594 | $ (1,773,304) | $ 134,990 | $ 62,125,300 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Instruction | $ 1,329,779 |
| Instruction-Related Services | 254,511 |
| Pupil Services | 127,381 |
| General Administration | 163,938 |
| Plant Services | 183,096 |
| Total | $ 2,058,705 |

NOTE 6 - GENERAL OBLIGATION BONDS

The general obligation bonds are secured by the full faith and credit of the District. In order to provide sufficient funds for the repayment of principal and interest on the bonds when due, the Board of Supervisors of Marin County is empowered and obligated to annually levy ad valorem taxes upon all property subject to taxation in the District.

The outstanding general obligation debt of the District as of June 30, 2019, excluding $1,638,714 of unamortized bond premiums, is as follows:

A. Current Interest Bonds

| Date of Issue | Interest Rate % | Date of Maturity | Amount of Original Issue | Outstanding July 1, 2018 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2019 |
|---|---|---|---|---|---|---|---|
| 4/19/12 | 2.00-4.25 | 8/1/39 | $ 30,605,000 | $ 30,065,000 | | $ 275,000 | $ 29,790,000 |
| 10/19/17 | 2.25-4.00 | 8/1/34 | 30,455,000 | 30,455,000 | | | 30,455,000 |
| Totals | | | $ 61,060,000 | $ 60,520,000 | $ 0 | $ 275,000 | $ 60,245,000 |

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2019, are as follows:

| Year Ended June 30 | Principal | Interest | Totals |
|---|---|---|---|
| 2020 | $ 265,000 | $ 2,134,613 | $ 2,399,613 |
| 2021 | 260,000 | 2,127,388 | 2,387,388 |
| 2022 | 990,000 | 2,105,612 | 3,095,612 |
| 2023 | 1,150,000 | 2,069,837 | 3,219,837 |
| 2024 | 1,320,000 | 2,031,613 | 3,351,613 |
| 2025-2029 | 9,705,000 | 9,192,756 | 18,897,756 |
| 2030-2034 | 15,790,000 | 7,302,606 | 23,092,606 |
| 2035-2039 | 24,505,000 | 3,903,769 | 28,408,769 |
| 2040-2044 | 6,260,000 | 125,200 | 6,385,200 |
| Totals | $ 60,245,000 | $ 30,993,394 | $ 91,238,394 |

B. Capital Appreciation Bonds

| Date of Issue | Accretion Rate % | Date of Maturity | Amount of Original Issue | Outstanding July 1, 2018 | Accreted Interest Current Year | Redeemed Current Year | Outstanding June 30, 2019 |
|---|---|---|---|---|---|---|---|
| 8/2/94 | 6.30-6.40 | 8/1/19 | $ 2,889,198 | $ 1,643,947 | $ 57,717 | $ 826,243 | $ 875,421 |
| 8/1/95 | 6.45-6.70 | 8/1/20 | 2,731,793 | 2,107,859 | 98,673 | 720,000 | 1,486,532 |
| 2/1/96 | 5.70-5.85 | 8/1/20 | 4,680,809 | 3,211,757 | 131,143 | 1,095,000 | 2,247,900 |
| 7/23/98 | 5.05-5.30 | 7/1/23 | 3,417,300 | 3,950,285 | 176,057 | 705,000 | 3,421,342 |
| Totals | | | $13,719,100 | $10,913,848 | $ 463,590 | $3,346,243 | $ 8,031,195 |

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The outstanding obligation for the capital appreciation serial and term bonds at June 30, 2019, was as follows:

| Year Ended June 30 | Amount of Original Issue (Principal) | Accreted Interest | Totals |
|---|---|---|---|
| 2020 | $ 877,912 | $ 2,604,955 | $ 3,482,867 |
| 2021 | 678,575 | 1,874,702 | 2,553,277 |
| 2022 | 230,493 | 451,757 | 682,250 |
| 2023 | 221,996 | 441,845 | 663,841 |
| 2024 | 217,032 | 431,928 | 648,960 |
| Totals | $ 2,226,008 | $ 2,008,976 | $ 8,031,195 |

The annual requirements to amortize the capital appreciation serial and term bonds at June 30, 2019, are as follows:

| Year Ended June 30 | Principal | Interest | Totals |
|---|---|---|---|
| 2020 | $ 877,912 | $ 2,622,088 | $ 3,500,000 |
| 2021 | 678,575 | 2,041,425 | 2,720,000 |
| 2022 | 230,493 | 529,507 | 760,000 |
| 2023 | 221,996 | 558,004 | 780,000 |
| 2024 | 217,032 | 582,968 | 800,000 |
| Totals | $ 2,226,008 | $ 6,333,992 | $ 8,560,000 |

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

*Plan Description / Benefits Provided*

Mill Valley School District's Other Post Employment Benefits Plan (Plan), is a single employer defined benefit healthcare plan administered by the District. No separate financial statements were issued for the plan. The District provides varying coverage to retirees from the various employee groups. The benefits provided to eligible retirees are as follows:

Medical, prescription drug, dental and vision benefits are offered to Certificated, Classified, Administration and Confidential employees and retirees of the District through the Self-Insured Schools of California (SISC). Dental and vision benefits are not District-paid for retirees.

Certificated employees may retire with District-paid benefits between the ages of 55 and 62 with at least 20 years of full-time service under Medical Option II. The service requirement is 10 years for employees who were at least 50 years old on July 1, 2011, and 15 years for employees aged 45-49 on July 1, 2011. District-paid benefits continue until age 65.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*Plan Description / Benefits Provided (Continued)*

Certificated employees hired on or before June 30, 2007 may retire after 25 years of service and receive 3 years of medical benefits either before or after age 65. If benefits extend beyond age 65 the District will pay for Medicare Supplement coverage plus the Medicare Part B premium, subject to the caps described below. This benefit may be continued after Medical Option II benefits have expired, if applicable.

The District pays 100% of the medical and prescription drug premium for retiree, spouse and eligible dependents, up to a dollar cap that varies by tier and date of hire. The cap is frozen in the year of retirement for retirements on or after July 1, 2016. Premiums in excess of the applicable cap must be paid for by the retiree.

Classified employees may retire with District-paid benefits after attaining age 55 and completing at least 20 years of employment, of which at least 10 years were full-time service. The District pays 100% of the medical and prescription drug premium for retiree, spouse and eligible dependents up to a dollar cap that varies by tier and date of hire. The cap is frozen in the year of retirement for retirements on or after June 30, 2018. Benefits continue for the lesser of 5 years or until age 65. After these benefits end, the District will pay the retiree $1,000 per year toward the cost of medical premiums until age 70.

Administration employees generally receive the same benefits as Certificated bargaining unit members except that 10 years of service are required regardless of year of birth.

Confidential employees generally receive the same benefits as Classified bargaining unit members.

In addition to the benefits described above, the District periodically offers special retirement incentives. Liabilities for such benefits have not been included in the valuation as there is no established pattern of incentives and the District is not obligated to make such offers in the future.

The following table shows selected monthly premiums for retirees under the age of 65 and District caps. The rates went into effect as of October 1, 2019:

| Plan | Retiree Only | Retiree + One | Retiree + Family |
|---|---|---|---|
| Anthem Blue Cross 90-G $20, Rx 5-20 | $909.00 | $1,820.00 | $2,362.00 |
| Anthem Blue Cross 80-G $20, Rx 9-35 | 838.00 | 1,675.00 | 2,173.00 |
| Blue Shield California Care HMO | 937.00 | 1,877.00 | 2,436.00 |
| Kaiser $15 OV, $5-20(30) Rx | 850.00 | 1,701.00 | 2,211.00 |
| District caps: | | | |
| Certificated hired before July 1, 2012 | 786.00 | 1,571.00 | 1,902.27 |
| Certificated hired on or after July 1, 2012 | 786.00 | 1,571.00 | 1,644.08 |
| Classified hired before July 1, 2012 | 779.00 | 1,559.00 | 1,904.37 |
| Classified hired on or after July 1, 2012 | 779.00 | 1,559.00 | 1,650.02 |

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*Plan Description / Benefits Provided (Concluded)*

Plan benefits and contribution requirements for both the employee and the District are established by labor agreements. All contracts with District employees may be renegotiated at various times in the future and, thus, benefits and costs are subject to change.

*Employees Covered by Benefit Terms*

The number of employees covered by the benefit terms of the Plan as of June 30, 2019 are as follows:

| | |
|---|---|
| Inactive employees currently receiving benefit payments | 4 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active employees | 324 |
| Total number of participants | 328 |

*Net OPEB Liability/(Asset)*

The District's Net OPEB Liability/(Asset) as of June 30, 2019 is ($202,947), based on an actuarial valuation date of June 30, 2019 and a measurement date of June 30, 2019. The results of the June 30, 2018 actuarial valuation were rolled forward using standard actuarial methods in order to determine the change in actuarial assumptions for the 2018-19 fiscal year.

California Employers’ Retiree Benefit Trust (CERBT):

The District joined the California Employers’ Retiree Benefit Trust (CERBT), which is an agent multiple-employer plan with more than 500 members as defined in GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), with pooled administrative and investment functions. The CERBT Fund is a Section 115 trust fund dedicated to prefunding Other Post Employment Benefits (OPEB) for all eligible California public agencies. The District participates in CERBT primarily as an investment vehicle for amounts set aside to pay for future costs associated with the District’s single employer defined benefit healthcare plan. There are three investment options offered by the fund, of which the District has chosen to participate in the CERBT Strategy 1 portfolio. As a result, the District owns a percentage of the CERBT Strategy 1 portfolio.

The CalPERS Board of Directors oversees the CERBT Fund. The CalPERS Board of Directors consists of six elected members, three appointed members and four ex officio members. CalPERS issues publicly available reports that include a full description of the CERBT plan provisions, membership information, and a current list of the Board of Directors, which can be found on the CalPERS website at www.calpers.ca.gov.

*OPEB Plan Investments:* The CERBT mirrors the investment policies of the CalPERS system as a whole. These policies are adopted by the CalPERS Investment Committee, which sets forth the Systems overarching investment belief, purposes, and objectives with respect to all investment programs. In addition, the CERBT has separate Board-approved asset allocation policies in place for the three investment options offered by the fund. The District’s OPEB assets have been invested in the CERBT Strategy 1 portfolio.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*Actuarial Assumptions*

The Total OPEB Liability was determined using an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

| | |
|---|---|
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry Age Normal |
| Inflation | 2.25% |
| Salary Increases | 3.0%, average, including inflation |
| Discount Rate | 6.75%, net of investment expense, including inflation |
| Healthcare cost trend rates | 8.0% for 2019-20, decreasing to 5.0% for 2022-23 and after |
| Retirees' share of cost | Based on retirees' current cost-sharing provisions, assumed to remain in effect for all future years |

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter. Turnover and retirement rates were based on District-specific experience and are described in more detail in the District's actuarial report available at the District Office.

The long-term expected rate of return on OPEB plan investments of 7.59% for CERBT Strategy 1 was provided by CERBT using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The following table shows target allocation percentages for each major asset class and rates of return for Strategy 1 (net of investment expenses) as reported by CERBT:

| Asset Class | Target Allocation | Target Rate of Return Years 1 - 10 | Target Rate of Return Years 11 - 60 |
|---|---|---|---|
| Global Equity | 59% | 6.80% | 8.90% |
| Fixed Income | 25% | 3.10% | 5.54% |
| Global Real Estate | 8% | 5.50% | 7.92% |
| Treasury Inflation Protected Securities | 5% | 2.25% | 4.38% |
| Commodities | 3% | 3.50% | 5.79% |

The discount rate 6.75% was set equal to the long-term rate of return less an 84 basis point margin for adverse deviations, as permitted by CERBT.

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.5 percent. The money- weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*Employee Contributions for Prefunding Medical Benefits*:

Beginning in July 1, 2011, active full-time classified employees began to pay $150 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee. The annual $150 contribution from actives has ceased effective January 1, 2016.

Beginning in February 1, 2011, active full-time certificated employees began to pay $350 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee. The annual $350 contribution from actives has ceased effective January 1, 2016.

*Changes in the Net OPEB Liability/(Asset)*

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability/(Asset) (a) - (b) |
|---|---|---|---|
| Balances at June 30, 2018 | $ 5,813,910 | $ 4,042,038 | $ 1,771,872 |
| Changes for the year: | | | |
| Service cost | 524,412 | | 524,412 |
| Interest on total OPEB liability | 396,756 | | 396,756 |
| Changes in assumptions or other inputs * | (2,025,349) | | (2,025,349) |
| Contributions from employer | | 597,477 | (597,477) |
| OPEB plan net investment income | | 270,844 | (270,844) |
| Differences between expected and actual investment income | | 4,412 | (4,412) |
| Benefit payments (including implicit subsidy) | (81,225) | (81,225) | 0 |
| OPEB plan administrative expenses | | (2,095) | 2,095 |
| Net changes | (1,185,406) | 789,413 | (1,974,819) |
| Balances at June 30, 2019 | $ 4,628,504 | $ 4,831,451 | $ (202,947) |

* Due to change in actuarial firms, the experience gain/loss has been included in the change in assumptions.

*Sensitivity of the District's Net OPEB Liability/(Asset) to Changes in the Discount Rate*

The following table presents the District's net OPEB liability/(asset) as of the measurement date, calculated using the current discount rate of 6.75%, as well as what the District's net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Discount Rate 1% Decrease 5.75% | Discount Rate Current Rate 6.75% | Discount Rate 1% Increase 7.75% |
|---|---|---|---|
| District's Net OPEB Liability/(Asset) | $ 197,536 | $ (202,947) | $ (568,631) |

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

*Sensitivity of the District's Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rates*

The following table presents the District's net OPEB liability/(asset) as of the measurement date, calculated using the current healthcare cost trend rate of 8.0% grading down to 5.0%, as well as what the District's net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.0% grading down to 4.0%) or one percentage point higher (9.0% grading down to 6.0%) than the current rate:

| | Healthcare Cost Trend Rate 1% Decrease | Healthcare Cost Trend Rate Current Rate | Healthcare Cost Trend Rate 1% Increase |
|---|---|---|---|
| District's Net OPEB Liability/(Asset) | $ (657,248) | $ (202,947) | $ 319,950 |

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

For the year ended June 30, 2019, the District recognized OPEB expense of $645,912. At June 30, 2019, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumptions or other inputs * | | $ 1,851,050 |
| Net differences between projected and actual earnings on OPEB plan investments | | 3,530 |
| Totals | $ 0 | $ 1,854,580 |

* Due to change in actuarial firms, the experience gain/loss has been included in the change in assumptions.

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

| Year Ended June 30 | |
|---|---|
| 2020 | $ (175,181) |
| 2021 | (175,181) |
| 2022 | (175,181) |
| 2023 | (175,181) |
| 2024 | (174,299) |
| Thereafter | (979,557) |

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)*

The average of expected remaining active and inactive service lives was 11.62 as of the June 30, 2019 measurement date. This factor was used to recognize experience gains and losses and changes in assumptions. A factor of 5.0000 was used to recognize gains and losses on OPEB plan investments. The amount recognized in the year ended June 30, 2019 was a net inflow of $175,181.

NOTE 8 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying government-wide financial statements as follows:

| Pension Plan | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 32,584,187 | $ 9,641,922 | $ 3,578,059 | $ 6,925,701 |
| CalPERS | 11,830,851 | 3,216,825 | 395,817 | 2,474,356 |
| Totals | $ 44,415,038 | $ 12,858,747 | $ 3,973,876 | $ 9,400,057 |

A. California State Teachers' Retirement System (CalSTRS)

*Plan Description*

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and Governor, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

*Benefits Provided*

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California 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 STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

*CalSTRS 2% at 60*

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

*Benefits Provided (Concluded)*

*CalSTRS 2% at 62*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

*Contributions*

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to AB 1469, the CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2018-19. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2018-19.

Employers: Pursuant to AB 1469, the employer contribution rate was 16.28% of applicable member earnings for fiscal year 2018-19. The District contributed $3,109,712 to the plan for the fiscal year ended June 30, 2019.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2019 was 5.311%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.828% for the fiscal year ended June 30, 2019.

*District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

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

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

*District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)*

| | |
|---|---|
| District's proportionate share of the net pension liability | $ 32,584,187 |
| State's proportionate share of the net pension liability associated with the District | 18,655,971 |
| Total net pension liability attributed to District | $ 51,240,158 |

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State.

The District's proportionate share of the net pension liability as of June 30, 2018 and June 30, 2017 was as follows:

| | |
|---|---|
| Proportion - June 30, 2018 | 0.0355% |
| Proportion - June 30, 2017 | 0.0341% |
| Change - Increase (Decrease) | 0.0014% |

For the fiscal year ended June 30, 2019, the District recognized pension expense of $6,925,701, which includes $2,974,017 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| District contributions subsequent to the measurement date | $ 3,109,712 | |
| Differences between expected and actual experience | 97,205 | $ 492,953 |
| Changes of assumptions | 4,869,410 | |
| Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 1,565,595 | 1,987,105 |
| Net differences between projected and actual earnings on plan investments | | 1,098,001 |
| Totals | $ 9,641,922 | $ 3,578,059 |

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

*District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)*

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2020 | $ | 1,133,769 |
| 2021 | | 626,734 |
| 2022 | | (243,859) |
| 2023 | | 360,651 |
| 2024 | | 927,421 |
| 2025 | | 149,435 |

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2018. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

*Actuarial Methods and Assumptions*

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2017 |
| Experience Study | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return [1] | 7.10% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | 3.50% |
| Post-retirement Benefit Increases | 2.00% simple for DB (Annually)<br>Maintain 85% purchasing power level for DB |

[1] Net of investment expenses, but gross of administrative expenses.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

*Actuarial Methods and Assumptions (Concluded)*

CalSTRS uses a generational mortality assumption, which involves the use of a base morality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of 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% 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, 2018, are summarized in the following table:

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

* 20-year average

*Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur midyear.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

*Discount Rate (Concluded)*

Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

| | Discount Rate 1% Decrease 6.10% | Discount Rate Current Rate 7.10% | Discount Rate 1% Increase 8.10% |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 47,732,021 | $ 32,584,187 | $ 20,025,163 |

*Pension Plan's Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees' Retirement System (CalPERS)

*Plan Description, Benefits Provided, and Employees Covered*

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

*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. The total plan contributions are determined through 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. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District’s contractually required contribution rate for the fiscal year ended June 30, 2019 was 18.062% of annual payroll. The District’s contribution to CalPERS for the fiscal year ended June 30, 2019 was $1,064,810.

*District’s Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2019, the District reported a liability of $11,830,851 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability as of June 30, 2018 and June 30, 2017 was as follows:

| | |
|---|---|
| Proportion - June 30, 2018 | 0.0444% |
| Proportion - June 30, 2017 | 0.0452% |
| Change - Increase (Decrease) | -0.0008% |

For the fiscal year ended June 30, 2019, the District recognized pension expense of $2,474,356, which includes $401,105 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

*District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)*

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| District contributions subsequent to the measurement date | $ 1,064,810 | |
| Differences between expected and actual experience | 784,192 | |
| Changes of assumptions | 1,200,731 | |
| Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | | $ 395,817 |
| Net differences between projected and actual earnings on plan investments | 167,092 | |
| Totals | $ 3,216,825 | $ 395,817 |

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | |
|---|---|
| 2020 | $ 1,066,255 |
| 2021 | 818,225 |
| 2022 | (58,451) |
| 2023 | (69,831) |

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2018. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

*Actuarial Assumptions*

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Wage Growth | Varies |
| Investment Rate of Return | 7.15% |
| Post Retirement Benefit Increase (1) | |

(1) 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach.

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

*Discount Rate (Concluded)*

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 table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

| Asset Class [1] | Assumed Asset Allocation | Real Return Years 1 - 10 [2] | Real Return Years 11+ [3] |
|---|---|---|---|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| Total | 100.0% | | |

[1] In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

[2] An expected inflation of 2.00% used for this period.

[3] An expected inflation of 2.92% used for this period.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

| | Discount Rate 1% Decrease 6.15% | Discount Rate Current Rate 7.15% | Discount Rate 1% Increase 8.15% |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 17,225,154 | $ 11,830,851 | $ 7,355,505 |

NOTE 8 - RETIREMENT PLANS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

C. Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 9 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019, is shown below:

| | Balances July 1, 2018 | Additions | Deductions | Balances June 30, 2019 | Due within One Year |
|---|---|---|---|---|---|
| Long-Term Debt: | | | | | |
| General Obligation Bonds | $ 73,181,207 | $ 463,591 | $ 3,729,889 | $ 69,914,909 | $ 3,873,646 |
| Other Long-Term Liabilities: | | | | | |
| Compensated Absences | 118,086 | 120,629 | 118,086 | 120,629 | 120,629 |
| Net OPEB Liability | 1,771,872 | | 1,771,872 | 0 | |
| Net Pension Liabilities | 42,334,165 | 2,080,873 | | 44,415,038 | |
| Totals | $ 117,405,330 | $ 2,665,093 | $ 5,619,847 | $ 114,450,576 | $ 3,994,275 |

The general obligation bonds are obligations of the Bond Interest & Redemption Fund. All other long-term liabilities are primarily obligations of the General Fund.

NOTE 10 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) for K-12 Education. These payments consist of state general fund contributions of $2,974,017 to CalSTRS and $401,105 to CalPERS. These contributions are recorded in the General Fund as revenues and expenditures. The District is not legally responsible for these contributions.

NOTE 11 - OPERATING LEASES

Facilities / Portables

The District leases certain excess facilities to others. The rental revenue from these leases for the 2018-19 fiscal year was $1,203,599. A majority of these leases are long-term leases.

The District has entered into various operating leases for portables with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration dates.

NOTE 12 - FUND BALANCES

The District's fund balances at June 30, 2019 consisted of the following:

| | General Fund | Bond Interest and Redemption Fund | Capital Projects - Special Reserve Fund | Non-Major Governmental Funds | Totals |
|---|---|---|---|---|---|
| Nonspendable: | | | | | |
| Revolving Cash | $ 5,500 | | | | $ 5,500 |
| Restricted: | | | | | |
| Categorical Programs | 713,552 | | | $ 48,768 | 762,320 |
| Maintenance | 87,274 | | | | 87,274 |
| Debt Service | | $ 6,109,152 | | | 6,109,152 |
| Capital Projects | | | | 42,587 | 42,587 |
| Donor Restricted | 834,318 | | | | 834,318 |
| Total Restricted | 1,635,144 | 6,109,152 | | 91,355 | 7,835,651 |
| Assigned: | | | | | |
| STRS Reserve | 2,314,885 | | | | 2,314,885 |
| Supplemental Parcel Tax | 1,157,443 | | | | 1,157,443 |
| OPEB Reserve | 245,841 | | | | 245,841 |
| Capital Projects | | | $ 3,825,894 | | 3,825,894 |
| Total Assigned | 3,718,169 | | 3,825,894 | | 7,544,063 |
| Unassigned: | | | | | |
| Reserve for Economic Uncertainties | 13,930,312 | | | | 13,930,312 |
| Totals | $ 19,289,125 | $ 6,109,152 | $ 3,825,894 | $ 91,355 | $ 29,315,526 |

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018-19, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 14 - JOINT VENTURES

The District participates in two joint ventures under joint powers agreements with Marin School Insurance Authority (MSIA) for workers' compensation and property and liability insurance, and Marin Pupils Transportation Agency (MPTA) for pupil transportation services for special education children. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage or services for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

The JPAs are audited on an annual basis. Audited financial statements can be obtained by contacting each JPA's management.

NOTE 15 - ECONOMIC DEPENDENCY

During fiscal year 2018-19, the District received $11,343,743 of parcel tax revenue that is subject to voter approval.

NOTE 16 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

Mill Valley Schools Community Foundation (Kiddo!) donated $2,884,103 in cash to the District during fiscal year 2018-19, which is subject to voluntary public contributions to the organization and is included in Operating Grants and Contributions Revenue of the District on the Statement of Activities reported on page 17.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Long-Term Interfund Loan

On June 17, 1996, the Mill Valley School District Board of Trustees approved and adopted a Board resolution to loan funds from the Capital Projects - Special Reserve Fund to the Capital Facilities Fund as bridge financing for the Edna Maguire School site expansion. The resolution authorized the District to expend $2,047,870 from the Capital Projects - Special Reserve Fund to construct four buildings at the Edna Maguire School site.

The resolution also provided that beginning in the 1996-97 school year, the District would begin repaying the expended funds from the Capital Facilities Fund, with interest computed monthly at the prime rate. On June 20, 2012, the Mill Valley School District Board of Trustees approved and adopted a Board resolution to discharge its need to make interest payments upon the amounts taken from the Capital Projects - Special Reserve Fund and that payments made after July 1, 2012 shall be used exclusively to reduce the principal balance. As of June 30, 2019, the outstanding balance on this loan is $444,310.

NOTE 18 - ADVANCE REFUNDING OF DEBT

Governmental Accounting Standards Board Statement No. 7, *Advance Refunding Resulting in Defeasance of* Debt, requires that debt be considered defeased in substance if the government irrevocably places cash and other monetary assets with an escrow agent to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt. Accordingly, the escrow account and the defeased debt is not included in the District's financial statements.

As of June 30, 2019, the outstanding balance of bond issues that have been refunding and defeased in substance by placing assets in an irrevocable trust to provide all future debt service payments are as follows:

| Bond Issue | Amount |
|---|---|
| 2009 Series A GOB | $ 29,195,000 |

NOTE 19 - SUBSEQUENT EVENTS

The District's management has evaluated events that have occurred for possible disclosure in the financial statements from the balance sheet date through December 12, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**MILL VALLEY SCHOOL DISTRICT**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**BUDGET AND ACTUAL - GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|---|---|---|---|
| ***Revenues*** | | | | |
| LCFF Sources: | | | | |
| State Apportionment / Transfers | $ 2,332,604 | $ 2,332,048 | $ 2,332,048 | |
| Local Sources | 22,057,563 | 22,428,202 | 22,756,936 | $ 328,734 |
| Total LCFF Sources | 24,390,167 | 24,760,250 | 25,088,984 | 328,734 |
| Federal Revenue | 733,006 | 748,915 | 713,813 | (35,102) |
| Other State Revenue | 2,325,249 | 4,911,226 | 4,822,333 | (88,893) |
| Other Local Revenue | 16,903,109 | 18,337,267 | 18,570,626 | 233,359 |
| Total Revenues | 44,351,531 | 48,757,658 | 49,195,756 | 438,098 |
| ***Expenditures*** | | | | |
| Current: | | | | |
| Certificated Salaries | 20,357,503 | 19,918,230 | 19,667,310 | 250,920 |
| Classified Salaries | 5,992,773 | 6,137,230 | 6,113,757 | 23,473 |
| Employee Benefits | 12,126,796 | 14,104,580 | 13,860,056 | 244,524 |
| Books and Supplies | 900,595 | 2,659,695 | 1,634,213 | 1,025,482 |
| Services and Other Operating Expenditures | 4,421,655 | 5,835,558 | 4,666,837 | 1,168,721 |
| Capital Outlay | 25,000 | 297,170 | 150,411 | 146,759 |
| Other Expenditures | 707,201 | 727,884 | 638,283 | 89,601 |
| Total Expenditures | 44,531,523 | 49,680,347 | 46,730,867 | 2,949,480 |
| Excess of Revenues Over (Under) Expenditures | (179,992) | (922,689) | 2,464,889 | 3,387,578 |
| ***Other Financing (Uses)*** | | | | |
| Operating Transfers Out | (10,000) | (10,000) | (10,000) | |
| Net Change in Fund Balances | (189,992) | (932,689) | 2,454,889 | $ 3,387,578 |
| Fund Balances - July 1, 2018 | 16,834,236 | 16,834,236 | 16,834,236 | |
| Fund Balances - June 30, 2019 | $ 16,644,244 | $ 15,901,547 | $ 19,289,125 | |

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

# MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS *

## JUNE 30, 2019

| | 2019 | 2018 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service Cost | $ 524,412 | $ 460,190 |
| Interest on Total OPEB Liability | 396,756 | 372,991 |
| Changes in Assumptions or Other Inputs | (2,025,349) | |
| Benefit Payments (including implicit subsidy) | (81,225) | (184,293) |
| **Net Changes in Total OPEB Liability** | (1,185,406) | 648,888 |
| **Total OPEB Liability - Beginning** | 5,813,910 | 5,165,022 |
| **Total OPEB Liability - Ending** | $ 4,628,504 | $ 5,813,910 |
| **Plan Fiduciary Net Position** | | |
| Contributions - Employer | $ 597,477 | $ 898,781 |
| Net Investment Income | 270,844 | 248,812 |
| Differences Between Expected and Actual Investment Income | 4,412 | |
| Benefit Payments (including implicit subsidy) | (81,225) | (184,293) |
| Administrative Expenses | (2,095) | (1,713) |
| **Net Changes in Plan Fiduciary Net Position** | 789,413 | 961,587 |
| **Plan Fiduciary Net Position - Beginning** | 4,042,038 | 3,080,451 |
| **Plan Fiduciary Net Position - Ending** | $ 4,831,451 | $ 4,042,038 |
| **District's Net OPEB Liability/(Asset) - Ending** | $ (202,947) | $ 1,771,872 |
| **Plan Fiduciary Net Position as Percentage of Total OPEB Liability** | 104.38% | 69.52% |
| **Covered-employee Payroll** | $ 24,962,673 | $ 22,156,365 |
| **District's Net OPEB Liability/(Asset) as Percentage of Covered-employee Payroll** | -0.81% | 8.00% |

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

**MILL VALLEY SCHOOL DISTRICT**

**SCHEDULE OF OPEB CONTRIBUTIONS ***

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | 2019 [1] | 2018 |
|---|---|---|
| Actuarial Determined Contribution | $ 0 | $ 714,488 |
| Contributions Recognized by OPEB Plan in Relation to the Actuarial Determined Contribution | 0 | 714,488 |
| Contribution Deficiency (Excess) | $ 0 | $ 0 |
| Covered-employee Payroll | N/A | $ 22,156,365 |
| Contributions as Percentage of Covered-employee Payroll | N/A | 3.22% |

[1] New actuarial valuation suspended the calculation of an actuarially determined contribution amount based on a change in the District's pre-funding methodology.

* This is a 10-year schedule, however prior year information was unavailable. Additional years will be added to this schedule as information becomes available until 10 years are presented.

**MILL VALLEY SCHOOL DISTRICT**

**SCHEDULE OF INVESTMENT RETURNS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| Year Ended June 30 | Annual Money-Weighted Rate of Return, Net of Investment Expenses |
|---|---|
| 2019 | 6.50% |
| 2018 | 7.30% |

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

## MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

## JUNE 30, 2019

| Year Ended June 30 | District's Proportion of the NPL | District's Proportionate Share of the NPL | State's Proportionate Share of the NPL Associated to District | Total NPL Attributed to District | District's Covered Payroll | District's Proportionate Share of the NPL as a % of Covered Payroll | Plan Fiduciary Net Position As a % of Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2019 | 0.0355% | $ 32,584,187 | $ 18,655,971 | $ 51,240,158 | $ 18,872,363 | 172.66% | 70.99% |
| 2018 | 0.0341% | 31,541,525 | 18,659,700 | 50,201,225 | 18,076,129 | 174.49% | 69.46% |
| 2017 | 0.0361% | 29,195,816 | 16,620,657 | 45,816,473 | 17,989,851 | 162.29% | 70.04% |
| 2016 | 0.0382% | 25,743,312 | 13,615,374 | 39,358,686 | 17,748,018 | 145.05% | 74.02% |
| 2015 | 0.0361% | 21,119,853 | 12,753,079 | 33,872,932 | 16,097,406 | 131.20% | 76.52% |

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

# MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

## JUNE 30, 2019

| Year Ended June 30 | District's Proportion of the NPL | District's Proportionate Share of the NPL | District's Covered Payroll | District's Proportionate Share of the NPL as a % of Covered Payroll | Plan Fiduciary Net Position As a % of Total Pension Liability |
|---|---|---|---|---|---|
| 2019 | 0.0444% | $ 11,830,851 | $ 5,852,585 | 202.15% | 70.85% |
| 2018 | 0.0452% | 10,792,640 | 5,765,071 | 187.21% | 71.87% |
| 2017 | 0.0473% | 9,348,526 | 5,678,695 | 164.62% | 73.90% |
| 2016 | 0.0500% | 7,369,123 | 5,534,780 | 133.14% | 79.43% |
| 2015 | 0.0485% | 5,505,350 | 5,090,753 | 108.14% | 83.38% |

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

## MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF CONTRIBUTIONS - CALSTRS *

## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Year Ended June 30 | Actuarially Determined Contributions | Contributions In Relation to Contractually Required Contributions | Contribution Deficiency/ (Excess) | District's Covered Payroll | Contributions As a % of Covered Payroll |
|---|---|---|---|---|---|
| 2019 | $ 3,109,712 | $ 3,109,712 | $ 0 | $ 19,101,425 | 16.28% |
| 2018 | 2,737,344 | 2,737,344 | 0 | 18,969,813 | 14.43% |
| 2017 | 2,288,165 | 2,288,165 | 0 | 18,188,911 | 12.58% |
| 2016 | 1,919,844 | 1,919,844 | 0 | 17,892,302 | 10.73% |
| 2015 | 1,543,377 | 1,543,377 | 0 | 17,380,372 | 8.88% |

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

## MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF CONTRIBUTIONS - CALPERS *

## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Year Ended June 30 | Actuarially Determined Contributions | Contributions In Relation to Contractually Required Contributions | Contribution Deficiency/ (Excess) | District's Covered Payroll | Contributions As a % of Covered Payroll |
|---|---|---|---|---|---|
| 2019 | $ 1,064,810 | $ 1,064,810 | $ 0 | $ 5,895,305 | 18.062% |
| 2018 | 909,455 | 909,455 | 0 | 5,855,740 | 15.531% |
| 2017 | 805,372 | 805,372 | 0 | 5,799,050 | 13.888% |
| 2016 | 672,317 | 672,317 | 0 | 5,674,998 | 11.847% |
| 2015 | 651,037 | 651,037 | 0 | 5,530,855 | 11.771% |

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). There were no excess of expenditures over appropriations in the General Fund as of June 30, 2019.

B. Schedule of Changes in Net OPEB Liability and Related Ratios

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the net OPEB liability, the total OPEB liability, the OPEB plan's fiduciary net position, the net OPEB liability, the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, the covered-employee payroll, and the net OPEB liability as a percentage of the District's covered-employee payroll.

C. Schedule of OPEB Contributions

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes the actuarial determined contribution, the amount of contributions recognized by the OPEB plan in relation to the actuarial determined contribution, the difference between the actuarial determined contribution and the amount recognized by the OPEB plan, the District's covered-employee payroll, and the amount of contributions recognized by the OPEB plan in relation to the actuarial determined contribution as a percentage of the District's covered-employee payroll. The OPEB plan does not have any statutorily or contracted required contributions.

D. Schedule of Investment Returns

In accordance with Governmental Accounting Standards Board Statement No. 74, the District is required to present a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

E. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

F. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

NOTE 2 - SUMMARY OF CHANGES FOR OPEB

Benefit Terms

There were no changes in benefit terms since the July 1, 2017 valuation.

Changes in Assumptions or Other Inputs

The following assumptions and other inputs used in the determination of the District's total OPEB liability changed as follows:

| Assumptions | As of June 30, 2019 | As of June 30, 2018 |
|---|---|---|
| Inflation | 2.25% | 2.50% |
| Healthcare cost trend rate | 8.0% decreasing to 5.0% | 6.25% decreasing to 4.25% |

NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes of Assumptions

During fiscal year 2017-18, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

As a result of the study, CalPERS changed the following assumption used in determining the NPL as follows:

| Assumption | As of June 30, 2018 | As of June 30, 2017 |
|---|---|---|
| Inflation | 2.50% | 2.75% |

There were no changes in assumptions since the previous valuation for CalSTRS.

SUPPLEMENTARY INFORMATION SECTION

## MILL VALLEY SCHOOL DISTRICT

## ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION

## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

### ORGANIZATION

The Mill Valley School District was established on May 1, 1891, and it comprises of an area of approximately 64 square miles located in Marin County. There were no changes in the boundaries of the District during the current year. The District is currently operating five elementary schools and one middle school.

### BOARD OF EDUCATION

| Name | Office | Term Expires |
|---|---|---|
| Leslie Wachtel | President | November 2020 |
| Marco Pardi | Vice-President / Clerk | November 2022 |
| Todd May | Member | November 2022 |
| Bob Jacobs | Member | November 2020 |
| Emily Uhlhorn | Member | November 2022 |

### ADMINISTRATION

Racquel Rose
Interim Superintendent

Michele Rollins, Ed. D.
Assistant Superintendent/
Business Services

# MILL VALLEY SCHOOL DISTRICT
## COMBINING BALANCE SHEET
## NON-MAJOR GOVERNMENTAL FUNDS
## JUNE 30, 2019

| | Cafeteria | Capital Facilities | Total Non-Major Governmental Funds |
|---|---|---|---|
| ***Assets*** | | | |
| Deposits and Investments | $ 69,438 | $ 42,587 | $ 112,025 |
| Receivables | 12,906 | | 12,906 |
| Total Assets | $ 82,344 | $ 42,587 | $ 124,931 |
| ***Liabilities and Fund Balances*** | | | |
| Liabilities: | | | |
| Accounts Payable | $ 33,576 | | $ 33,576 |
| Fund Balances: | | | |
| Restricted | 48,768 | $ 42,587 | 91,355 |
| Total Liabilities and Fund Balances | $ 82,344 | $ 42,587 | $ 124,931 |

SEE NOTES TO SUPPLEMENTARY INFORMATION

**MILL VALLEY SCHOOL DISTRICT**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**
**CHANGES IN FUND BALANCES**
**NON-MAJOR GOVERNMENTAL FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Cafeteria | Capital Facilities | Total Non-Major Governmental Funds |
|---|---|---|---|
| ***Revenues*** | | | |
| Federal Revenue | $ 85,632 | | $ 85,632 |
| State Revenue | 3,711 | | 3,711 |
| Local Revenue | 608,474 | $ 192,813 | 801,287 |
| Total Revenues | 697,817 | 192,813 | 890,630 |
| ***Expenditures*** | | | |
| Current: | | | |
| Food Services | 715,709 | 0 | 715,709 |
| Excess of Revenues Over (Under) Expenditures | (17,892) | 192,813 | 174,921 |
| ***Other Financing Sources (Uses)*** | | | |
| Operating Transfers In | 10,000 | | 10,000 |
| Operating Transfers Out | | (225,000) | (225,000) |
| Total Other Financing Sources (Uses) | 10,000 | (225,000) | (215,000) |
| Net Change in Fund Balances | (7,892) | (32,187) | (40,079) |
| Fund Balances - July 1, 2018 | 56,660 | 74,774 | 131,434 |
| Fund Balances - June 30, 2019 | $ 48,768 | $ 42,587 | $ 91,355 |

SEE NOTES TO SUPPLEMENTARY INFORMATION

## MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE

## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | P-2 Report | | | |
|---|---|---|---|---|
| | **TK / K - 3** | **4 - 6** | **7 - 8** | **Totals** |
| Regular | 1,221.79 | 984.26 | 630.30 | 2,836.35 |
| Extended Year Special Education | 0.23 | 0.38 | | 0.61 |
| Special Education - Nonpublic | 0.98 | 1.98 | 0.78 | 3.74 |
| Extended Year Special Education - Nonpublic | 0.28 | 0.14 | 0.34 | 0.76 |
| Totals | 1,223.28 | 986.76 | 631.42 | 2,841.46 |

| | Annual Report | | | |
|---|---|---|---|---|
| | **TK / K - 3** | **4 - 6** | **7 - 8** | **Totals** |
| Regular | 1,221.32 | 983.16 | 629.28 | 2,833.76 |
| Extended Year Special Education | 0.23 | 0.38 | | 0.61 |
| Special Education - Nonpublic | | 2.92 | 0.82 | 3.74 |
| Extended Year Special Education - Nonpublic | | 0.42 | 0.34 | 0.76 |
| Totals | 1,221.55 | 986.88 | 630.44 | 2,838.87 |

## MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME

## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Grade Level | Minutes Required | 2018-19 Actual Minutes | Number of Days Traditional Calendar | Number of Days Multitrack Calendar | Status |
|---|---|---|---|---|---|
| Kindergarten | 36,000 | 36,040 | 180 | N/A | In Compliance |
| Grade 1 | 50,400 | 52,335 | 180 | N/A | In Compliance |
| Grade 2 | 50,400 | 52,335 | 180 | N/A | In Compliance |
| Grade 3 | 50,400 | 52,335 | 180 | N/A | In Compliance |
| Grade 4 | 54,000 | 54,105 | 180 | N/A | In Compliance |
| Grade 5 | 54,000 | 54,105 | 180 | N/A | In Compliance |
| Grade 6 | 54,000 | 56,428 | 180 | N/A | In Compliance |
| Grade 7 | 54,000 | 56,428 | 180 | N/A | In Compliance |
| Grade 8 | 54,000 | 56,428 | 180 | N/A | In Compliance |

**MILL VALLEY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| Federal Grantor / Pass-Through Grantor / Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identification Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| **U.S. Department of Agriculture:** | | | | |
| Passed Through California Department of Education (CDE): | | | | |
| *Child Nutrition Cluster:* | | | | |
| National School Lunch | 10.555 | 13524 | | $ 85,632 |
| **Total U.S. Department of Agriculture** | | | | 85,632 |
| **U.S. Department of Education:** | | | | |
| Passed Through CDE: | | | | |
| Title I Part A Basic Grant Low-Income & Neglected | 84.010 | 14329 | | 89,462 |
| Title II Part A Supporting Effective Instruction | 84.367 | 14341 | | 35,352 |
| Title III English Learner Student Program | 84.365 | 14346 | | 10,301 |
| Title IV Part A Student Support & Academic Enrichment | 84.424 | 15396 | | 10,000 |
| Passed Through Marin County SELPA: | | | | |
| *Special Education Cluster:* | | | | |
| IDEA Part B Basic Local Assistance | 84.027 | 13379 | | 438,643 |
| IDEA Part B Preschool Grants | 84.173 | 13430 | | 25,574 |
| IDEA Part B Preschool Local Entitlement | 84.027A | 13682 | | 81,451 |
| IDEA Part B Mental Health Allocation Plan | 84.027A | 15197 | | 21,113 |
| Subtotal Special Education Cluster | | | | 566,781 |
| **Total U.S. Department of Education** | | | | 711,896 |
| **U.S. Department of Health and Human Services:** | | | | |
| Passed Through Contra Costa County Office of Education: | | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | | 117,469 |
| **Total U.S. Department of Health and Human Services** | | | | 117,469 |
| Totals | | | $ 0 | $ 914,997 |

**MILL VALLEY SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**

**WITH AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | General Fund | Special Reserve Fund for Postemployment Benefits |
|---|---|---|
| June 30, 2019 Annual Financial and Budget Report Fund Balances | $ 19,043,284 | $ 245,841 |
| Reclassification Increasing (Decreasing) Fund Balances: | | |
| Reclassification of Fund Balances | 245,841 | (245,841) |
| June 30, 2019 Audited Financial Statements Fund Balances | $ 19,289,125 | $ 0 |

<u>Auditor's Comments</u>

The fund balances of the General Fund and Special Reserve Fund for Postemployment Benefits have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2019.

# MILL VALLEY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | GENERAL FUND | | | |
|---|---|---|---|---|
| | (Budget) 2019-20 | 2018-19 | 2017-18 | 2016-17 |
| Revenues and Other Financial Sources | $ 46,634,375 | $ 49,195,756 | $ 45,729,012 | $ 44,853,000 |
| Expenditures | 45,545,197 | 46,730,867 | 44,469,378 | 43,918,752 |
| Other Uses and Transfers Out | 10,000 | 10,000 | 10,000 | 10,000 |
| Total Outgo | 45,555,197 | 46,740,867 | 44,479,378 | 43,928,752 |
| Change in Fund Balance | 1,079,178 | 2,454,889 | 1,249,634 | 924,248 |
| Ending Fund Balance | $ 20,368,303 | $ 19,289,125 | $ 16,834,236 | $ 15,584,602 |
| Available Reserves | $ 15,124,990 | $ 13,930,312 | $ 11,639,258 | $ 9,804,013 |
| Reserve for Economic Uncertainties * | $ 15,124,990 | $ 13,930,312 | $ 11,639,258 | $ 9,804,013 |
| Available Reserves as a Percentage of Total Outgo | 33.2% | 29.8% | 26.2% | 22.3% |
| Average Daily Attendance at P-2 | 2,793 | 2,841 | 2,971 | 3,021 |
| Total Long-Term Liabilities | $ 110,456,301 | $ 114,450,576 | $ 117,405,330 | $ 114,182,219 |

* Reported balances are a component of available reserves.

The fund balance of the General Fund increased $3,704,523 (23.8%) over the past two years. The fiscal year 2019-20 budget projects an increase of $1,079,178 (5.6%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses in each of the past three fiscal years.

Average daily attendance (ADA) decreased 180 ADA over the past two years. The District's budget projects a further decrease of 48 ADA during fiscal year 2019-20.

Total long-term liabilities increased $268,357 over the past two years.

**MILL VALLEY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**MEASURES A & B - PARCEL TAXES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Measure E | Measure B | Totals |
|---|---|---|---|
| ***Revenues*** | | | |
| Parcel Tax Revenue, Net | $ 9,312,450 | $ 2,031,293 | $ 11,343,743 |
| District Contribution | | 99,803 | 99,803 |
| Total Revenues | 9,312,450 | 2,131,096 | 11,443,546 |
| ***Expenditures*** | | | |
| Certificated Salaries | 6,746,439 | 1,511,158 | 8,257,597 |
| Employee Benefits | 2,536,795 | 601,730 | 3,138,525 |
| Books and Supplies | 9,508 | | 9,508 |
| Services and Operating Expenditures | 19,708 | 18,208 | 37,916 |
| Total Expenditures | 9,312,450 | 2,131,096 | 11,443,546 |
| Net Changes in Fund Balances | 0 | 0 | 0 |
| Fund Balances - Beginning | 0 | 0 | 0 |
| Fund Balances - Ending | $ 0 | $ 0 | $ 0 |

## NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

### A. Combining Statements

Combining statements are presented for purposes of additional analysis and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

### B. Schedule of Average Daily Attendance

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

### C. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year but the District did not meet or exceed its LCFF funding target. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

### D. Schedule of Expenditures of Federal Awards

*Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2019. 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

*Summary of Significant Accounting Policies*

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*Indirect Cost Rates*

The District has not elected to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

F. 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.

G. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Measures A & B

This schedule provides information regarding the receipt and use of funds related to the District's *Measure E* and *Measure B* parcel taxes.

*Measure E*

On November 6, 2016, the qualified voters of the District voted to approve a Measure E, an amendment to an existing parcel tax (Measure A), for purposes of increasing the amount of the tax, updating the purposes for which the proceeds of the tax may be used, and extending the length of the parcel tax. As a result, the District is authorized to use the proceeds of the special tax solely to protect educational quality; attract and keep high-quality teachers; maintain library services and physical education programs; preserve small neighborhood schools and class sizes; and prevent significant budget cuts due to reductions in State education funding. The measure expires June 30, 2029.

*Measure B*

On November 6, 2012 the qualified voters of the District voted to approve Measure B, authorizing the District to levy a qualified special parcel tax. As a result, the District is authorized to use the proceeds of the special tax solely to protect against damaging state budget cuts; attract and keep skilled, qualified teachers and provide training; maintain school libraries and library services; prevent a shortened school year; provide programs for at-risk students and students who need additional support; and replace some of the funding the District lost to the State. The measure expires June 30, 2021.

OTHER INDEPENDENT AUDITOR’S REPORTS SECTION

# INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Mill Valley School District
Mill Valley, California

## Report on State Compliance

We have audited Mill Valley School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2019.

## Management's Responsibility

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

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide 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 the District's state programs occurred. An audit includes examining, on a test basis, evidence about Mill Valley 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 with state laws and regulations. Our audit does not provide a legal determination of Mill Valley School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Mill Valley School District's compliance with state laws and regulations applicable to the following items: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| Description | Procedures Performed |
|---|---|
| Local Education Agencies Other Than Charter Schools: | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Not Applicable |
| Continuation Education | Not Applicable |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| School Districts, County Offices of Education, and Charter Schools: | |
| California Clean Energy Jobs Act | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| Charter Schools: | |
| Attendance | Not Applicable |
| Mode of Instruction | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes - Classroom Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

Opinion on State Compliance

In our opinion, Mill Valley School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2019-002**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2019

# 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*

Board of Education
Mill Valley School District
Mill Valley, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mill Valley School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019. Our report includes a reference to other auditors who audited the financial statements of the Mill Valley Schools Community Foundation (Kiddo!), as described in our report on Mill Valley School District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

## Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency, as noted in **Finding 2019-001**.



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Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2019

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

Board of Education
Mill Valley School District
Mill Valley, California

## Report on Compliance for Each Major Federal Program

We have audited the Mill Valley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Mill Valley School District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

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

## Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Mill Valley School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Mill Valley 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, 2019.


*P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815*

Report on Internal Control over Compliance

Management of the Mill Valley 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2019

FINDINGS AND QUESTIONED COSTS SECTION

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

***Financial Statements***

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

***Federal Awards***

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weaknesses identified? | ____ Yes | X No |
| Significant deficiencies identified not considered to be material weaknesses? | ____ Yes | X None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | ____ Yes | X No |

Identification of major programs:

| CFDA Numbers | Federal Program |
|---|---|
| 84.027 / 84.027A / 84.173 | Special Education Cluster |

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

***State Awards***

| | | |
|---|---|---|
| Any audit findings required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?* | X Yes | ____ No |
| Type of auditor's report issued on compliance for state programs: | Unmodified | |

## SECTION II - FINANCIAL STATEMENT FINDINGS

**2019 - 001 / 30000**

**SIGNIFICANT DEFICIENCY**

MEAL REIMBURSEMENT CLAIM REPORTING

Criteria: Meal counts should be independently traced to the detailed site summaries, on a monthly basis, to ensure that reported counts are accurate prior to submitting the meal reimbursement claims to the state.

Condition: Meal counts reported for the months of August and September 2018, and January 2019 were not independently verified to ensure that reported counts were accurate. As a result, the District overstated the number of meals claimed for reimbursement to the State by 398 free meals, 117 reduced meals, and 1,673 paid meals.

Questioned Costs: The error overstated federal revenues by $2,308 and state revenues by $122.

Context: All claims for reimbursement submitted to the State during fiscal year 2018-19 were reviewed for accuracy. The District was able to revise all affected reimbursement claims prior to June 30, 2019.

Effect: The District claimed reimbursement for federal and state revenues that it was not entitled to receive during the fiscal year.

Cause: The District erroneously combined meals not served with meals served and reported the totals on the August and September 2018, and January 2019 meal reimbursement claims.

Recommendation: The District should verify that the total number of meals to be claimed for reimbursement from the State agrees to the total number of meals served counts accumulated on the “NSLP Lunch List Detail Report” by school site, prior to finalizing and submitting the claims to the State.

District Response: The District will verify that the total number of meals to be claimed for reimbursement from the State agrees to the total number of meals served counts accumulated on the “NSLP Lunch List Detail Report” by school site, prior to finalizing and submitting the claims to the State.

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2019.

## SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2019 - 002 / 40000**

COMPREHENSIVE SCHOOL SAFETY PLAN

Criteria: In accordance with Education Code Section 32281, each school is required to adopt a comprehensive school safety plan. Per Education Code Section 32286, each school is required to adopt its comprehensive school safety plan by March 1, 2000, and shall review and update its plan by March 1, every year thereafter.

Condition: The District did not review and update its plan by March 1, 2019.

Questioned Costs: None. This noncompliance has no fiscal impact.

Context: The comprehensive school safety plans for Strawberry Elementary and Mill Valley Middle School were reviewed and approved by the schools on April 1, 2019, and May 6, 2019, respectively.

Effect: The District did not comply with the requirements of Education Code Section 32286.

Cause: The District has not established procedures to ensure that comprehensive school safety plans are reviewed and updated for all school sites by March 1.

Recommendation: The District should establish procedures to ensure that comprehensive school safety plans are reviewed and updated for all school sites by March 1 in accordance with Education Code Section 32286.

District Response: The District will establish procedures to ensure that comprehensive school safety plans are reviewed and updated for all school sites by March 1.

**MILL VALLEY SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

There were no matters reported in the prior year audit report.

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# APPENDIX C

# GENERAL INFORMATION ABOUT THE CITY OF MILL VALLEY AND THE COUNTY OF MARIN

*The following information concerning the City of Mill Valley (the **"City"**) and the County of Marin (the **"County"**) is included only for the purpose of supplying general information regarding the area of the District. No part of any fund or account of the City or the County is pledged or obligated to the payment of the Bonds. The Bonds are not a debt (or a pledge of the full faith and credit) of the City, the County, the State or any of its political subdivisions (other than the District), and none of the County, the State or any of its political subdivisions (other than the District) is liable therefor. The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for the District's payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the District's payment of the principal of and interest on Bonds at the time such payment is due.*

## General

***City of Mill Valley**.* The City is located in Marin County, approximately 11 miles north of the Golden Gate Bridge and San Francisco. The City limits encompass 4.72 square miles. The estimated population of the City is approximately 14,675 as of January 1, 2019, although the estimated population of the District is larger (31,667) due to inclusion of unincorporated areas.

The primary access road to the City is U.S. Highway 101, the main north-south corridor in the West Bay Area.

The City was incorporated in 1900 as a general law city. The City Council is made up of five members, elected at large, serving four-year terms. The Mayor is selected for a one-year term from among the members of the City Council. The City operates under a council-manager form of government. The City Council appoints the City Manager, City Attorney and City Clerk.

***Marin County**.* The County was one of the original counties of California, created in 1850 at the time of statehood. The County has a total area of 828 miles and, as of January 1, 2019, a population of approximately 262,879. Geographically, the county forms a large, southward-facing peninsula, with the Pacific Ocean to the west, San Pablo Bay and San Francisco Bay to the east, and -- across the Golden Gate -- the city of San Francisco to the south. Marin County's northern border is with Sonoma County. Most of the county's population resides on the eastern side, with a string of communities running along the Bay, from Sausalito to Tiburon to San Rafael to Corte Madera. The interior contains large areas of agricultural and open space; West Marin, through which California State Route 1 runs alongside the California coast, contains many small unincorporated communities dependent on agriculture and tourism for their economies.

## Population

The table below shows population estimates for the cities in the County for the last five years, as of January 1.

**MARIN COUNTY**
**Population Estimates**
**Calendar Years 2015 through 2019**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Belvedere | 2,148 | 2,160 | 2,154 | 2,148 | 2,148 |
| Corte Madera | 9,628 | 9,684 | 9,665 | 10,043 | 10,047 |
| Fairfax | 7,716 | 7,742 | 7,733 | 7,714 | 7,721 |
| Larkspur | 12,540 | 12,650 | 12,639 | 12,588 | 12,578 |
| **Mill Valley** | **14,645** | **14,718** | **14,702** | **14,669** | **14,675** |
| Novato | 54,292 | 54,362 | 54,276 | 54,161 | 54,115 |
| Ross | 2,526 | 2,540 | 2,535 | 2,528 | 2,526 |
| San Anselmo | 12,860 | 12,949 | 12,925 | 12,908 | 12,902 |
| San Rafael | 60,017 | 60,196 | 60,191 | 60,020 | 60,046 |
| Sausalito | 7,424 | 7,457 | 7,450 | 7,421 | 7,416 |
| Tiburon | 9,373 | 9,405 | 9,391 | 9,366 | 9,362 |
| Balance of County | 69,340 | 69,281 | 69,266 | 69,237 | 69,343 |
| **Marin County Total** | **262,509** | **263,144** | **262,927** | **262,803** | **262,879** |

*Source: State Department of Finance estimates.*

*[Remainder of page intentionally left blank]*

## Employment and Industry

The unemployment rate in the County was 1.9% in December 2019, down from a revised 2.0% in November 2019, and below the year-ago estimate of 2.2%. This compares with an unadjusted unemployment rate of 3.7% for California and 3.4% for the nation during the same period.

The following table shows civilian labor force data and wage and salary employment data for Marin County for the years 2014 through 2018.

**SAN RAFAEL METROPOLITAN DIVISION**
**(Marin County)**
**Annual Average Civilian Labor Force, Employment and Unemployment,**
**Employment by Industry**
**(March 2018 Benchmark)**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Civilian Labor Force (1) | 138,800 | 138,800 | 139,700 | 140,000 | 141,100 |
| Employment | 132,900 | 133,900 | 135,200 | 136,000 | 137,700 |
| Unemployment | 5,900 | 4,900 | 4,600 | 4,000 | 3,400 |
| Unemployment Rate | 4.3% | 3.6% | 3.3% | 2.9% | 2.4% |
| Wage and Salary Employment: (2) | | | | | |
| Agriculture | 400 | 300 | 300 | 300 | 300 |
| Mining and Logging | 0 | 0 | 0 | 0 | 0 |
| Construction | 6,100 | 6,500 | 6,800 | 7,200 | 7,700 |
| Manufacturing | 3,500 | 4,000 | 4,500 | 4,900 | 5,200 |
| Wholesale Trade | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Retail Trade | 14,300 | 14,200 | 14,400 | 14,600 | 15,100 |
| Trans., Warehousing, Utilities | 1,200 | 1,300 | 1,300 | 1,300 | 1,300 |
| Information | 2,800 | 2,900 | 2,900 | 2,700 | 2,700 |
| Financial Activities | 6,800 | 6,400 | 6,200 | 5,800 | 5,600 |
| Professional and Business Services | 18,000 | 18,000 | 18,000 | 17,600 | 17,500 |
| Educational and Health Services | 19,700 | 20,100 | 20,600 | 21,000 | 21,100 |
| Leisure and Hospitality | 15,100 | 15,400 | 16,100 | 16,500 | 16,300 |
| Other Services | 5,200 | 5,200 | 5,500 | 5,700 | 5,700 |
| Federal Government | 700 | 700 | 700 | 700 | 700 |
| State Government | 1,800 | 1,900 | 2,000 | 2,000 | 2,000 |
| Local Government | 12,900 | 12,800 | 12,900 | 13,100 | 13,300 |
| Total All Industries (3) | 110,900 | 112,300 | 114,500 | 115,800 | 116,900 |

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
*Source: State of California Employment Development Department.*

## Largest Employers

The following table lists the major employers within the County as of February 2020, in alphabetical order.

**COUNTY OF MARIN**
**Major Employers**
**February 2020**

| Employer Name | Location | Industry |
|---|---|---|
| Autodesk Inc | San Rafael | Computer Programming Services |
| Bay Equity | Sausalito | Real Estate Loans |
| Biomarin Pharmaceutical Inc | San Rafael | Laboratories-Research & Development |
| Bradley Real Estate | Belvedere Tibrn | Real Estate |
| Brayton Purcell LLP | Novato | Attorneys |
| Cagwin & Dorward Landscape | Novato | Landscape Contractors |
| California Alpine Club | Mill Valley | Clubs |
| College of Marin | Kentfield | Schools-Universities & Colleges Academic |
| Community Action Marin | San Rafael | Non-Profit Organizations |
| Corrections Dept | San Quentin | Government Offices-State |
| Glassdoor Inc | Mill Valley | Website Hosting |
| Kaiser Permanente Sn Rafael MD | San Rafael | Hospitals |
| Macy's | Corte Madera | Department Stores |
| Managed Health Network Inc | San Rafael | Mental Health Services |
| Marin County Sheriff's Dept | San Rafael | Government Offices-County |
| Marin Independent Journal | San Rafael | Newspapers (publishers/Mfrs) |
| Marine General Hospital | Greenbrae | Hospitals |
| Nordstrom | Corte Madera | Department Stores |
| Novato Medical | Novato | Clinics |
| RH | Corte Madera | Furniture-Dealers-Retail |
| San Rafael Human Resources | San Rafael | Government Offices-City/Village & Twp |
| Sutter Care At Home | Novato | Health Care Facilities |
| Township Building Svc Inc | Novato | Janitor Service |
| Westamerica Bancorporation | San Rafael | Holding Companies (bank) |
| Y Ymca San Francisco | San Rafael | Youth Organizations & Centers |

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.*

## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income and median household effective buying income for the City, the County, the State and the United States for the years 2016 through 2020.

**CITY OF MILL VALLEY, MARIN COUNTY,**
**STATE OF CALIFORNIA AND UNITED STATES**
**Effective Buying Income**
**2016 through 2020**

| Year | Area | Total Effective Buying Income (000's Omitted) | Median Household Effective Buying Income |
|---|---|---|---|
| 2016 | City of Mill Valley | $944,033 | $101,450 |
| | Marin County | 12,751,873 | 80,192 |
| | California | 981,231,666 | 53,589 |
| | United States | 7,757,960,399 | 46,738 |
| 2017 | City of Mill Valley | $1,084,878 | $111,578 |
| | Marin County | 13,506,516 | 80,608 |
| | California | 1,036,142,723 | 55,681 |
| | United States | 8,132,748,136 | 48,043 |
| 2018 | City of Mill Valley | $1,117,081 | $115,941 |
| | Marin County | 14,293,951 | 85,923 |
| | California | 1,113,648,181 | 59,646 |
| | United States | 8,640,770,229 | 50,735 |
| 2019 | City of Mill Valley | $1,147,274 | $121,282 |
| | Marin County | 14,837,382 | 88,348 |
| | California | 1,183,264,399 | 62,637 |
| | United States | 9,017,967,563 | 52,841 |
| 2020 | City of Mill Valley | $1,182,808 | $124,292 |
| | Marin County | 15,543,159 | 94,399 |
| | California | 1,243,564,816 | 65,870 |
| | United States | 9,487,165,436 | 55,303 |

*Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.*

## Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data are available are shown in the following tables.

Total taxable sales reported during the first three quarters of calendar year 2019 in the City were $197,174,369, a 7.18% decrease over the total taxable sales of $212,423,873 reported during the first three quarters of calendar year 2018. Annual figures are not yet available for calendar year 2019.

**CITY OF MILL VALLEY**
**Number of Permits and Valuation of Taxable Transactions**
**(Dollars in Thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2014 | 531 | $231,143 | 840 | $260,849 |
| 2015[(1)] | 491 | 229,399 | 876 | 259,346 |
| 2016 | 487 | 223,308 | 879 | 252,157 |
| 2017 | 484 | 242,228 | 868 | 275,528 |
| 2018 | 487 | 243,076 | 894 | 282,748 |

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
*Source: State Department of Tax and Fee Administration.*

Total taxable sales reported during the first three quarters of calendar year 2019 in the County were $3,966,018,271, a 1.33% increase over the total taxable sales of $3,914,148,020 reported during the first three quarters of calendar year 2018. Annual figures are not yet available for calendar year 2019.

**COUNTY OF MARIN**
**Number of Permits and Valuation of Taxable Transactions**
**(Dollars in Thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2014 | 6,457 | $3,745,315 | 10,272 | $4,861,801 |
| 2015[(1)] | 4,836 | 3,836,153 | 10,958 | 5,046,316 |
| 2016 | 6,059 | 3,855,662 | 10,941 | 5,045,785 |
| 2017 | 6,036 | 3,903,138 | 10,899 | 5,147,809 |
| 2018 | 6,027 | 4,144,299 | 11,199 | 5,393,566 |

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
*Source: State Department of Tax and Fee Administration.*

**Construction Activity**

Provided below are the building permits and valuations for the City and County for calendar years 2014 through 2018.

**CITY OF MILL VALLEY**
**Total Building Permit Valuations**
**(Valuations in Thousands)**
**Calendar Years 2014-2018**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $12,775.7 | $5,706.0 | $8,250.0 | $12,313.2 | $18,128.8 |
| New Multi-family | 0.0 | 870.0 | 0.0 | 0.0 | 0.0 |
| Res. Alterations/Additions | 30,313.7 | 28,585.3 | 29,073.9 | 24,133.0 | 21,291.7 |
| Total Residential | 43,089.40 | 35,161.3 | 37,323.9 | 36,446.2 | 39,420.5 |
| | | | | | |
| New Commercial | 2,842.5 | 315.0 | 448.0 | 182.0 | 17.0 |
| New Industrial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 3,621.8 | 2,640.9 | 8,040.8 | 4,589.5 | 4,829.5 |
| Com. Alterations/Additions | 10,647.3 | 2,930.3 | 2,233.6 | 3,616.4 | 3,213.5 |
| Total Nonresidential | 17,111.6 | 5,886.2 | 10,722.4 | 8,387.9 | 8,060.0 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 10 | 5 | 3 | 10 | 17 |
| Multiple Family | 0 | 2 | 0 | 0 | 0 |
| TOTAL | 10 | 7 | 3 | 10 | 17 |

*Source: Construction Industry Research Board, Building Permit Summary.*

**COUNTY OF MARIN**
**Total Building Permit Valuations**
**(Valuations in Thousands)**
**Calendar Years 2014-18**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $71,460.1 | $75,834.5 | $62,804.2 | $86,748.2 | $94,556.2 |
| New Multi-family | 14,069.1 | 2,426.4 | 7,869.8 | 0.0 | 23,600.0 |
| Res. Alterations/Additions | 203,375.3 | 203,754.7 | 194,743.0 | 194,772.0 | 180,662.3 |
| Total Residential | 288,904.5 | 282,015.6 | 265,417.0 | 281,520.2 | 298,818.5 |
| | | | | | |
| New Commercial | 76,204.6 | 10,439.6 | 17,564.0 | 24,300.5 | 32,219.2 |
| New Industrial | 0.0 | 0.0 | 0.0 | 0.0 | 1,125.0 |
| New Other | 24,104.2 | 42,614.2 | 54,015.5 | 35,898.9 | 53,086.9 |
| Com. Alterations/Additions | 85,972.9 | 497,343.6 | 69,437.8 | 65,867.0 | 69,619.1 |
| Total Nonresidential | 186,281.7 | 550,397.4 | 141,017.3 | 126,066.4 | 156,050.2 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 112 | 121 | 89 | 104 | 133 |
| Multiple Family | 76 | 20 | 17 | 0 | 102 |
| TOTAL | 188 | 141 | 106 | 104 | 235 |

*Source: Construction Industry Research Board, Building Permit Summary.*

## Transportation

The County's transportation facilities are excellent, with U.S. Highway 101 and U.S. Interstate Highway 580 providing easy access to the rest of California. Buses provide commuter service to San Francisco and other Bay Area cities, and commuter ferries embark for San Francisco from the communities of Sausalito, Tiburon, and Larkspur. The San Francisco International Airport, located 30 miles from the City, provides air passenger service to points worldwide. Sonoma-Marin Area Transit (SMART), which is a new passenger rail service in Sonoma and Marin Counties, officially opened on August 25, 2017.

# APPENDIX D

# PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

May 13, 2020

Board of Trustees
Mill Valley School District
2250 Mesquite Dr.
Santa Rosa, California 95405

***OPINION:*** $31,605,000 Mill Valley School District
(Marin County, California)
2020 Refunding General Obligation Bonds (Federally Taxable)

Members of the Board of Trustees:

We have acted as bond counsel to the Mill Valley School District (the "District") in connection with the issuance by the District of $31,605,000 principal amount of Mill Valley School District (Marin County, California) 2020 Refunding General Obligation Bonds (Federally Taxable), dated the date hereof (the "Bonds"), under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees of the District (the "Board") adopted on March 12, 2020 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to issue the Bonds under the Bond Law and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of Marin County is obligated under the laws of the State of California to cause to be levied a tax without limit as to rate or amount upon the property in the District subject to taxation by the District for the payment when due of the principal of and interest on the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

*Jones Hall,*
A Professional Law Corporation

# APPENDIX E

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$31,605,000**
**MILL VALLEY SCHOOL DISTRICT**
**(Marin County, California)**
**2020 Refunding General Obligation Bonds**
**(Federally Taxable)**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Mill Valley School District (the "**District**") in connection with the execution and delivery of the captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on March 12, 2020 (the "**Resolution**"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means, initially Willdan Financial Services or any successor third party Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be April 1), commencing no later than April 1, 2021, with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the District shall include in its Annual Report the following information:

(i) Assessed value of taxable property in the jurisdiction of the District as shown on the most recent equalized assessment roll;

(ii) Assessed value of the top twenty property taxpayers in the District as shown on the most recent equalized assessment roll;

(iii) Property tax collection delinquencies in the District for the most recently completed Fiscal Year, but only if the District's general obligation bond tax levies are not included in Marin County's Teeter Plan and such information is available from the County; and

(iv) The District's most recently adopted budget or interim report showing budgeted figures available at the time of filing the Annual Report.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

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

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. 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 Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: May 13, 2020

**MILL VALLEY SCHOOL DISTRICT**

By: ______________________________________

Name: ____________________________________

Title: _____________________________________

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

| | |
|---|---|
| Name of Obligor: | Mill Valley School District |
| Name of Bond Issue: | $31,605,000 Mill Valley School District (Marin County, California) 2020 Refunding General Obligation Bonds (Federally Taxable) |
| Date of Issuance: | May 13, 2020 |

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Trustees of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:__________________

**DISSEMINATION AGENT**

By: _____________________________
Authorized Officer

## APPENDIX F

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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# APPENDIX G

# MARIN COUNTY INVESTMENT POOL
# INVESTMENT POLICY AND MONTHLY REPORT

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COUNTY OF MARIN

# DEPARTMENT OF FINANCE

Excellent and responsive fiscal leadership.

Roy Given, CPA
DIRECTOR

Mina Martinovich, CPA
ASSISTANT DIRECTOR

Marin County Civic Center
3501 Civic Center Drive
Suite 225
San Rafael, CA 94903
415 473 6154 T
415 473 3680 F
CRS Dial 711
www.marincounty.org/dof

Board of Supervisors
County of Marin
Civic Center
San Rafael. CA 94903

December 17, 2019

APPROVED
DEC 17 2019
MARIN COUNTY
BOARD OF SUPERVISORS

**Subject: 2019/2020 Annual Statement of Investment Policy**

Dear Board Members:

**Recommendation:** Pursuant to Government Code Section 53646, the following are submitted for review and approval:

- 2019/2020 Annual Statement of Investment Policy for funds managed by the Treasurer's office for the County, schools, college and Special Districts; and

- 2019/2020 Marin County Long-Term Investment Pool Policy for funds managed by the Treasurer's office for the Marin County General Fund;

**Summary:** There are no changes to the 2019/2020 Annual Statement of Investment Policy; it has been reviewed and monitored by the County Treasury Oversight Committee. The committee's membership is listed below. The authority for the committee and their responsibilities are contained in Government Codes sections 27130-27137.

Additionally, the 2019/2020 Annual Statement of Investment Policy is reviewed and monitored monthly by Fitch Ratings, an independent rating agency. Their report is attached. We continue with a rating of AAA/S1. The County's AAA rating has been maintained since 1994. The rating received is reflective of the outstanding work of the Treasury unit.

**Alternative Recommendation:** N/A

| | | | |
|---|---|---|---|
| **Reviewed by:** | [X] | Finance Department | [ ] N/A |
| | [ ] | County Counsel | [X] N/A |
| | [X] | Administrator | [ ] N/A |

Respectfully submitted,

Roy Given

Roy Given,
Director of Finance



CA4b

cc: Treasury Oversight Committee:

Matthew Hymel, County Administrator
Dan Eilerman, Alternate Representative, County Administrator
Mary Jane Burke, Marin County Superintendent of Schools
Nancy Lynch, Reed Union School District Superintendent
Jean Bonander, Public Member
Roy Given, Director of Finance
Marin County School Districts
Special Districts
MCERA

# STATEMENT OF INVESTMENT POLICY

COUNTY OF MARIN

***Department of Finance***
***Roy Given, Director***

***Fiscal Year 2019-2020***

## TABLE OF CONTENTS

# COUNTY OF MARIN

# STATEMENT OF INVESTMENT POLICY

Under the authority delegated to the Director of Finance by the Board of Supervisors and in accordance with the California Government Code, the following sets forth the investment policy of the County of Marin:

## *I. OBJECTIVES*:

All funds on deposit in the County Treasury shall be invested in accordance with the California Government Code Sections 53600 et seq. and Sections 53639 et seq. to ensure:

(a) **Preservation of capital** through high quality investments and by continually evaluating the credit of financial institutions approved for investment transactions, and securities considered and held in safekeeping;

(b) Maintenance of sufficient **liquidity** to enable the participants and other depositors to meet their operating requirements;

(c) A **rate of return** consistent with the above objectives.

## *2. PARTICIPANTS*

Participants in the Marin County Pool are defined as Marin County, Marin Public School Agencies, Marin Community College, Marin County Office of Education, districts under the control of the County Board of Supervisors, autonomous/independent districts whose treasurer is the Director of Finance and any other district or agency approved by the Board of Supervisors and the Director of Finance using the County of Marin as their fiscal agent.

(a) **Statutory participants** are those government agencies within the County of Marin for which the Marin County Treasurer is statutorily designated as the Custodian of Funds.

(b) **Voluntary participants** are other local agencies that may participate in the Pooled Investment Fund, such as special districts and cities for which the Marin County Treasurer is not statutorily designated as the Custodian of Funds. Participation is subject to approval by the Director of Finance, and in accordance with California Government Code Section 53684.

### 3. *AUTHORIZED PERSONS*

Authorized persons for investment purposes include principal staff as designated by the Director of Finance on the Authorized Investor List. Designated Principal Staff shall make all investment decisions. To minimize the risk of disrupting the day to day business activities, Principal Staff shall use separate means of travel to attend training and conferences.

All investment decisions shall be made with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting, as a trustee, in a like capacity and familiarity would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the participants.

### 4. *BIDS & PURCHASE OF SECURITIES*

Prior to the purchase of an investment pursuant to this policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. Bids for various investments shall be evaluated considering preservation of capital as the most important factor, liquidity as the second most important factor and thirdly, yield. Investments in commercial paper, bankers acceptances and certificates of deposit for each issuer shall be limited to five percent (5%) of Treasury assets, determined using the Treasury balance at the time of purchase, except that investments in overnight commercial paper shall be limited to seven percent (7%) of Treasury assets for any one issuer. The investment selected for purchase shall be that investment which in the opinion of the purchaser most clearly meets these objectives. All security transactions shall be documented at the time the transaction is consummated.

### 5. *TERM*

Maturities of investments in the Marin County Treasury Pool shall be selected based upon liquidity requirements. The maximum remaining term to maturity for an investment shall be three (3) years; except that, subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. of the California Government Code, the Director of Finance may authorize investments in U.S. Treasury obligations and/or U.S. and local agency obligations with a maximum remaining term to maturity that shall not exceed five (5) years. The weighted average maturity of the investment pool, to be determined at the time of purchase, shall not exceed 540 days to final maturity/call.

Capital Funds, Construction Funds, or money obtained through the sale of agency surplus property, may be invested by the Director of Finance in specific investments outside of the Pool provided the Director of Finance obtains written approval from the governing board of the County, School District or Special District. No investment shall have a remaining maturity in excess of five (5) years.

Proceeds of Debt Issues set aside for repayment of any County, School District, or Special District financings shall not be invested for a term that exceeds the term set forth in the financing documents.

### *6. ALLOWED INVESTMENTS*

Pursuant to California Government Code Sections 53601 et seq. and 53635 et seq., the County Director of Finance may invest in the following subject to the limitations as set forth:

(a) **United States Treasury obligations.**

(b) **United States Agency obligations.**

(c) **Securities of U.S. Government Agencies & Instrumentalities**

(d) **State of California Bonds and Registered Warrants.**

(e) **Bonds, Notes, Warrants** or other evidence of indebtedness of a **local agency** within the State of California.

(f) **Bankers acceptances** not to exceed one hundred eighty (180) days to maturity or at the time of purchase thirty percent (30%) of the treasury fund balance.

(g) **Commercial paper** of "prime" quality of the highest_letter and numerical rating as provided for by Moody's_Investors Service, Inc., or Standard and Poor's Corporation, to be chosen from among corporations organized and operating_within the United States with assets in excess of $500,000,000.00 and having an "A" or higher rating for the issuer's debt, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed two hundred seventy (270) days in maturity and may not exceed forty percent (40%) of the treasury fund balance.

(h) **Negotiable certificates of deposit** issued by a nationally or state-chartered bank, a state or federal association or by a state-licensed branch of a foreign bank selected on the basis of financial stability and credit rating criteria employed by the County Director of Finance. Negotiable certificates of deposit may not exceed thirty percent (30%) of the treasury fund balance.

i) **Non-negotiable certificates of deposit (Time Deposits)** with a nationally or state-chartered bank or a state or federal association selected on the basis of financial stability, credit rating and reputation using criteria employed by the County Director of Finance fully collateralized at one hundred ten percent (110%) of market value with U.S. Government Securities, high-grade Municipal Bonds, instruments of federal agencies, including mortgage backed securities at one hundred fifty percent (150%) of market value with promissory notes secured by first deeds of trust upon improved residential real property as provided by the Government Code.

(j) **Medium-term Notes** rated "A" or better, to be chosen from among corporations with assets in excess of $500,000,000.00 with a maturity not to exceed two years from the date of purchase. Purchase of eligible medium-term notes may not exceed thirty percent (30%) of the treasury fund balance.

(k) **Shares of beneficial interest issued by diversified management companies**, which are money market funds investing in securities and obligations as authorized by this investment policy. To be eligible for investment these companies shall attain the highest ranking or the highest letter and numerical rating provided by no less than two nationally recognized statistical rating organizations and have assets under management in excess of $500,000,000.00. The purchase price may not include any commissions that these companies may charge, and the purchase of shares in any one mutual fund may not exceed ten percent (10%) of the treasury balance and the total invested my not exceed twenty percent (20%) of the treasury balance. Shares of beneficial interest issued by diversified management companies may include shares in investment trusts established under provisions of the California Joint Exercise of Powers Act.

(l) **Repurchase agreements** on any investment authorized by this investment policy where the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and the value shall be adjusted daily. The County Director of Finance or designee must approve any collateral substitution by the seller, and any new collateral should be reasonably identical to the original collateral in terms of maturity, yield, quality and liquidity.

(m) **California State Local Agency Investment Pool (LAIF)** operated by the State Treasurer's office.

(n) **Financial Institution Investment Accounts** All funds on deposit with the County shall be managed by the Director of Finance. The Director of Finance may, at his option, at the time of placement, place not more than five percent (5%) of the Treasury assets at the time of investment with a financial institution for the purpose of managing such funds. Securities eligible for purchase by the financial institution are limited to United States Treasury and Agency obligations with a "AAA" credit quality rating, must be held in the County's name in a third party custody account, may not have a remaining maturity in excess of three (3) years, and the account shall have an average maturity of 1.5 years or less. All security transactions shall be supervised and approved by designated staff on the Authorized Investor List.

Where a percentage limitation is specified for a particular category of investments, that percentage is applicable only at the time of purchase.

## 7. *PROHIBITED INVESTMENTS*

(a) The County Director of Finance **shall not invest** in any **Derivatives** such as inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages or any security bearing a rate of interest which is not known at the time of purchase.

(b) The County Director of Finance shall not invest any funds in any security that could result in **zero interest accrual** if held to maturity or where there is a risk of loss of principal when held to maturity.

(c) **Reverse repurchase agreements**, securities lending agreements and all other investments that are not specifically allowed by this investment policy are prohibited.

(d) In accordance with Marin County's Nuclear Freeze Ordinance Measure "A" (Exhibit 1) as approved by the voters on November 4, 1986, the County is prohibited from investing in securities or other obligations of any corporation or business entity which is a **nuclear weapons contractor.**

Furthermore, said corporations or business entities that the County Director of Finance does invest in must file an affidavit as required by Measure "A" Section VI. B certifying that neither it, nor its parent company, affiliates or subsidiaries are nuclear weapons contractors. A copy of each affidavit received shall be sent to the Peace Commission.

### 8. *BROKERS*

Broker/dealers shall be selected by the Director of Finance upon recommendation by the Investment Officer or designated principal staff on the Authorized Investor List. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution and the reputation and expertise of the individuals employed. The Director of Finance shall be prohibited from selecting any broker, brokerage firm, dealer, or securities firm that has, within any 48 consecutive month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, any member of the Board of Supervisors, any member of the governing board of a local agency having funds held in the County Treasury, or any candidate for those offices. The broker/dealers shall be provided with and acknowledge receipt of the County Investment Policy.

### 9. *WITHDRAWALS*

No withdrawals from the Marin County Pool shall be made for the purpose of investing and or depositing those funds outside the pool without the prior approval of the Marin County Director of Finance. The Director of Finance shall evaluate each proposed withdrawal to assess the effect the withdrawal will have upon the stability and predictability of the investments in the County Treasury. Approval shall be given unless the withdrawal will adversely affect the interests of the other depositors. Requests for withdrawals for the purpose of investing or depositing funds outside the pool shall be made in writing at least ten (10) business days in advance of the proposed withdrawal date. Notice in writing of at least five (5) business days shall be required for withdrawals in excess of $250,000.00 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

### 10. *SWAPS*

Securities can be swapped for other approved securities with similar maturity schedules to gain higher rates of return. When a swap involves a change in liquidity, future cash needs shall be conservatively estimated.

### 11. *LOSSES*

Losses are acceptable on a sale before maturity, and may be taken if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

### *12. DELIVERY & SAFEKEEPING*

Delivery of all securities shall be through a third party custodian. Non-negotiable certificates of deposit and notes of local agencies may be held in the Director of Finance's safe. The County's safekeeping agent shall hold all other securities. No security shall be held in safekeeping by the broker/dealer from whom it was purchased. Settlement payment in a securities transaction will be against delivery only, and a Due Bill or other substitution will not be acceptable. Persons authorized under section three (3) who did not originate the investment transaction shall review all confirmations for conformity with the original transaction. Confirmations resulting from securities purchased under a repurchase agreement shall state the exact and complete nomenclature of the underlying securities purchased.

### *13. APPORTIONMENT OF INTEREST & COSTS*

Interest shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. The amount of interest apportioned shall be determined using the cash method of accounting whereby interest will be apportioned for the quarter in which it was actually received. The Director of Finance shall deduct from the gross interest received those actual administrative costs relating to the management of the treasury including salaries and other compensation, banking costs, equipment purchased, supplies, costs of information services, audits and any other costs as provided by Section 27013 of the Government Code.

### *14. CONFLICT OF INTEREST*

A member of the county treasury oversight committee, the County Director of Finance or County employees working in the Treasurer's office shall not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business, consistent with state law.

### *15. AUDITS*

The County of Marin investment portfolio shall be subject to a process of independent review by the County's external auditors. The County's external auditors shall review the investment portfolio in connection with the annual county audit for compliance with the statement of investment policy pursuant to Government Code Section 27134. The results of the audit shall be reported annually to the Director of Finance and the Marin County Treasury Oversight Committee.

#### 15.1 Compliance Audit: Government Code Section 27134

The Treasury Oversight Committee shall cause an annual audit to be conducted to determine the County Treasury's compliance with Article 6 of the Government Code. This audit may include issues relating to the structure of the investment portfolio and risk

### *16. REVIEW*

The Director of Finance and designated staff will perform a monthly review of the investment function.

### *17. REPORTS*

The Director of Finance shall prepare a monthly report listing all investments in the County Pool as of the last day of the month and a report of the average days to maturity and yield of investments in the County Pool. The Director of Finance shall also prepare a monthly report for all non-pooled investments. These reports shall be distributed to the Marin County Board of Supervisors, Superintendent of Schools, Marin Public School Agencies, Special Districts, non-pooled investors, the County's investment oversight committee, and any other participant upon request.

### *18. INVESTMENT POLICY*

The County Director of Finance shall prepare and submit an annual statement of investment policy to the Board of Supervisors.

### *19. TREASURY OVERSIGHT COMMITTEE*

Consistent with State law the County has established a Treasury Oversight Committee. The Committee includes representatives from the County of Marin, Superintendent of Schools' Office, School Districts and Special Districts. The Committee shall review and monitor the Investment Policy as contained in California Government Code Sections 27130 – 27137.

### 20. *DISASTER /BUSINESS CONTINUITY PLAN*

The County of Marin's banking and investment functions are mission critical and as such, the office must have a business continuity plan.

The goal of a disaster/business recovery plan is to protect and account for all funds on deposit with the county treasury and to be able to continue our banking and investment functions for all participants in the event of an occurrence (Earthquake, Fire, Pandemic or other event) which disrupt normal operations. Our plan provides for the ability to perform our banking and investment function at an off-site location under less than optimal conditions and, if needed, even outside our county.

In the event of an occurrence which precludes staff from being able to operate from our office, the attached plan (exhibit 2) will be activated. The plan includes:

- Scope
- Chain of Command
- Continuity Procedure
- Functions and Tasks to be performed
- Equipment and Emergency Packets
- Disaster Assignment
- Off-site locations

Normal processes may be modified in response to an occurrence. However, the county's investment policy shall be strictly followed.

# COUNTY OF MARIN

# STATEMENT OF INVESTMENT POLICY

Dated: July 1, 2019

Roy Given
Director of Finance

Reviewed and monitored by Marin Treasury Oversight Committee on November 18, 2019

Approved by Marin County Board of Supervisors on December XX, 2019

Attachments:

Exhibit 1 Marin County Nuclear Freeze Ordinance

Exhibit 2 Disaster/Business Continuity Plan

Exhibit 3 Authorized Investor List

# COUNTY OF MARIN

## TREASURER'S OFFICE

## AUTHORIZED INVESTOR LIST

**FY2019-2020**

Effective: July 29, 2019

<u>**Investment Purposes:**</u>

1. To make investment decisions
2. To recommend brokers
3. To perform a review of the investment function

<u>**Authorized Persons:**</u>

<u>Authorized to make investment decisions for with a maturity of up to five years:</u>

- Roy Given * Director of Finance

<u>Authorized to make investment decisions for *with a maturity of up to three years:*</u>

- Karen Shaw * Division Chief, Finance
- Mina Martinovich Assistant Director of Finance

<u>Authorized to make investment decisions for *short term investments with a maturity of up to one year:*</u>

- Lisa De Carlo Chief of Administrative Services
- Bevin Gardner Accountant II –Treasury
- Sandra Kacharos Division Chief, Tax

***Authorized for equipment and emergency packets as defined under the Disaster/Business Continuity Plan***

Approved:

7/29/19

Roy Given Date
Director of Finance

P.O Box 4220 – San Rafael, CA 94913 – Civic Center – Room 209 – Phone 415.473.6142 – Fax 415.473.3741 – CRS Dial 711

# COUNTY OF MARIN

**DEPARTMENT OF FINANCE**
**DISASTER RECOVERY/BUSINESS CONTINUITY PLAN**
**BANKING AND INVESTMENT FUNCTIONS**

## Scope

The County of Marin's banking and investment functions are mission critical. As such, the Treasurer's office must have a Disaster/Business Continuity Plan in place. In the event we are unable to operate from our office, the plan shall be activated. Periodically, the plan shall be tested.

The plan's goal is to protect and account for all funds on deposit with the county and to be able to continue our banking and investment functions for all participants in the event of occurrence (earthquake, fire, pandemic, or other event) which disrupts normal operations.

## Chain of Command

The chain of command shall be in the order of "authorized persons" as identified in the Statement of Investment Policy, item 3.

## Continuity Procedure

In the event we are unable to conduct normal business operations, the authorized persons shall interact with one another by home phone, email or cell to decide on the alternate location. If unable to contact one another, the authorized persons shall through the county's office of emergency services establish contact with one another.

## Functions & Tasks to be Performed

Recognizing we may be operating in less than optimal conditions, the primary functions are to protect and continue to account for all funds on deposit with the county. While normal processes may be modified, the investment policy shall be strictly followed.

Tasks to be performed include:

- Daily cash work up

- Investment of maturing securities and any daily deposits after making an allowance for checks/wires expected to clear

- Daily cash and bank reconciliation

- For deposits, the treasurer's office will notify county departments, special districts and schools of any changes to their deposit location. Deposits to any account other than those established by the treasurer's office are prohibited.

- Disbursement activity will be coordinated with the County Director of Finance

## Equipment and Emergency Packets

The Authorized Investor List shall designate authorized staff to have the following equipment such that either of them may carry out the plan. In the event that none of the authorized persons are able to respond, the county's office of Emergency Services shall have a copy of this plan in a secured location within their office. All policies and procedures of this plan shall be provided to the County Administrator and County Director of Finance.

The following equipment and items for the emergency packets are:

- Laptop with wi-fi connectivity
- All software that is currently in use shall be loaded on each laptop and be set up for remote access.
- Copy of the Investment Policy and the Disaster/Continuity Recovery Plan
- Updated monthly report of investments
- Sign on instructions to access the county's financial accounting system, online banking and securities safekeeping
- Listing of the home phones and addresses, cell, email addresses of the "authorized persons" and treasury staff. Listings shall also include the County Administrator, County Director of Finance, County Counsel and the Office of Emergency Services.
- Bank, Authorized Broker/Dealers, Bloomberg and Security Safekeeping names, contact numbers including fax and addresses
- All district, county and school bank signature cards
- Contact names, numbers, email and addresses of each agency whose funds are held within the county.
- Emergency check stock will be housed in the Office of Emergency Services located at 1600 Los Gamos Drive (50 checks).*

## Disaster Assignment

The "authorized persons" in the treasurer's office including support staff are to be considered official Disaster workers and are assigned to support our Disaster/Business Recovery Plan. Each shall have on their possession their County of Marin Identification Card.

The level of disruption and assigned work location will be determined by the Director of Finance, or those individuals indicated on the Authorized Investor List. All related costs shall be absorbed by the Treasurer's office and reimbursed pursuant to Government section 27013.

In all cases, the safety of treasury personnel is paramount. In no event should our alternate location or alternate procedure be employed if doing such would put an individual in danger.

* Emergency checks are issued from a separate account which is linked to the County's main account. These checks are to be used only if this plan is activated and the county is unable to issue payments. Authorized signers for these checks are designated on the Deposit Account Documentation Signature Card and include the Director of Finance, those individuals authorized under the Authorized Investor List and the County Administrator. In the event that check stock cannot be accessed, electronic payments through the County's banking services can be originated.

Failing the ability to operate from our office, our operations will move to a location determined by the County Office of Emergency Services, Director of Finance or County Administrator.

APPROVED
FEB 26 2019
MARIN COUNTY
BOARD OF SUPERVISORS

COUNTY OF MARIN

DIVISION OF THE DEPARTMENT OF FINANCE
TREASURER
Excellent and responsive fiscal leadership.


Roy Given, CPA
DIRECTOR

Mina Martinovich, CPA
ASSISTANT DIRECTOR

Karen Shaw
FINANCE DIVISION CHIEF

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February 26, 2019

Kathrin Sears, President
Board of Supervisors
County of Marin
3501 Civic Center Dr. #329
San Rafael, CA 94903

Mary Jane Burke
Superintendent of Schools
Marin County Office of Education
P.O. Box 4925
San Rafael, CA 94913

Marin County Schools,
Special Districts, and
MCERA

RE: MONTHLY REPORT OF COUNTY, SCHOOLS AND DISTRICT INVESTMENTS as of January 31, 2019.

Dear Investment Fund Participants:

The attached Monthly Report of County, Schools and District investments is provided for your review.

* The investments were made pursuant to Government Code Sections 53601, 53635 and comply with the County Treasurer's Statement of Investment Policy. The investment policy provides for:

- Preservation of capital through high quality investments;
- Maintenance of sufficient liquidity to meet participant operating needs; and
- A rate of return consistent with the above objectives.

* Maturities are scheduled to meet participant expenditure requirements for the next six months.

* Attached spreadsheets identify investment type, issuer, maturity date, amount invested and fair market value for each security held. Fair market values were determined by Wells Fargo Institutional Trust Services on all securities except for investments in the Local Agency Investment Fund which was valued at face value by us. Adjustments have been made for premiums, discounts and accrued interest on discount securities to make the book value and fair market value more comparable.

I trust you find this report informative. Should you have any questions do not hesitate to call me.

Respectfully submitted,

Roy Given
Director of Finance

RG: sa
Attachments

cc: Matthew Hymel, County Administrator
Marin County Treasury Oversight Committee



CA 9d

# TREASURER DIVISION - DEPARTMENT OF FINANCE
## REPORT OF INVESTMENTS - OPERATING FUNDS
## COUNTY OF MARIN, SCHOOLS & SPECIAL DISTRICTS

**January 31, 2019**



| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 142 | LA1 | 245,998.81 | 2.967 | / / | 07/01/2011 | 245,998.81 | 2.322 | 2.355 | Local Agency Investment Fund | 245,998.81 |
| 3490 | LA2 | 0.00 | 5.170 | / / | 07/01/2011 | 0.00 | 0.000 | 0.001 | MM-DREYFUS | 0.00 |
| 9149 | LA2 | 10,018,603.98 | 0.040 | / / | 07/01/2011 | 10,018,603.98 | 2.238 | 2.270 | MM-FIDELITY Institutional Gov | 10,018,603.98 |
| 4366 | LA2 | 0.00 | 4.930 | / / | 07/01/2011 | 0.00 | 0.009 | 0.010 | NATIONS Treasury Reserves | 0.00 |
| 2246 | LA2 | 10,018,160.60 | 4.760 | / / | 07/01/2011 | 10,018,160.60 | 2.238 | 2.270 | MM-WELLS FARGO Institutional G | 10,018,160.60 |
| 12178 | FAD | 3,000,000.00 | 2.200 | 02/01/2019 | 09/24/2018 | 2,976,166.67 | 2.217 | 2.248 | Federal Home Loan Discount | 3,000,000.00 |
| 12038 | MC1 | 100,000.00 | 3.500 | 02/01/2019 | 02/13/2018 | 100,115.07 | 3.448 | 3.495 | MARIN COUNTY | 100,115.07 |
| 12197 | FAD | 3,500,000.00 | 2.270 | 02/04/2019 | 10/18/2018 | 3,475,944.31 | 2.285 | 2.317 | Federal Home Loan Discount | 3,499,300.00 |
| 12200 | FAD | 3,000,000.00 | 2.250 | 02/05/2019 | 10/22/2018 | 2,980,125.00 | 2.265 | 2.296 | Fed Home Ln Mtg Corp Disc | 2,999,190.00 |
| 12199 | FAD | 3,000,000.00 | 2.250 | 02/06/2019 | 10/22/2018 | 2,979,937.50 | 2.265 | 2.296 | Fed Home Ln Mtg Corp Disc | 2,999,010.00 |
| 12309 | FAD | 8,000,000.00 | 2.380 | 02/07/2019 | 01/14/2019 | 7,987,306.67 | 2.383 | 2.416 | Federal Home Loan Discount | 7,996,800.00 |
| 12192 | FAD | 5,000,000.00 | 2.210 | 02/07/2019 | 10/15/2018 | 4,964,701.39 | 2.225 | 2.256 | Fed Home Ln Mtg Corp Disc | 4,998,000.00 |
| 12210 | FAD | 10,000,000.00 | 2.280 | 02/08/2019 | 10/30/2018 | 9,936,033.33 | 2.294 | 2.326 | Fed Home Ln Mtg Corp Disc | 9,995,400.00 |
| 12190 | FAD | 6,000,000.00 | 0.000 | 02/11/2019 | 10/12/2018 | 5,953,843.33 | 2.287 | 2.319 | Federal Home Loan Discount | 5,996,040.00 |
| 12211 | FAD | 3,000,000.00 | 2.280 | 02/12/2019 | 10/30/2018 | 2,980,050.00 | 2.295 | 2.327 | Fed Home Ln Mtg Corp Disc | 2,997,810.00 |
| 12212 | FAD | 3,000,000.00 | 2.280 | 02/13/2019 | 10/30/2018 | 2,979,860.00 | 2.295 | 2.327 | Fed Home Ln Mtg Corp Disc | 2,997,600.00 |
| 12206 | FAD | 3,000,000.00 | 2.280 | 02/14/2019 | 10/25/2018 | 2,978,720.00 | 2.296 | 2.328 | Federal Home Loan Discount | 2,997,420.00 |
| 12218 | FAD | 3,000,000.00 | 0.000 | 02/15/2019 | 11/09/2018 | 2,980,971.67 | 2.344 | 2.377 | Federal Home Loan Discount | 2,997,210.00 |
| 12219 | FAD | 3,000,000.00 | 0.000 | 02/19/2019 | 11/09/2018 | 2,980,195.00 | 2.345 | 2.378 | Federal Home Loan Discount | 2,996,430.00 |
| 12204 | FAD | 3,000,000.00 | 0.000 | 02/20/2019 | 10/24/2018 | 2,977,390.00 | 2.297 | 2.329 | Federal Home Loan Discount | 2,996,220.00 |
| 12203 | FAD | 3,000,000.00 | 2.280 | 02/21/2019 | 10/24/2018 | 2,977,200.00 | 2.297 | 2.329 | Federal Home Loan Discount | 2,996,010.00 |
| 12213 | FAD | 8,000,000.00 | 2.305 | 02/22/2019 | 11/02/2018 | 7,942,631.11 | 2.321 | 2.353 | Fed Home Ln Mtg Corp Disc | 7,988,880.00 |

| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 12201 | FAD | 7,000,000.00 | 0.000 | 02/25/2019 | 10/23/2018 | 6,944,097.22 | 2.318 | 2.350 | Federal Home Loan Discount | 6,988,870.00 |
| 12202 | FAD | 3,000,000.00 | 0.000 | 02/26/2019 | 10/23/2018 | 2,975,850.00 | 2.318 | 2.350 | Federal Home Loan Discount | 2,995,020.00 |
| 12220 | FAD | 5,000,000.00 | 0.000 | 02/27/2019 | 11/09/2018 | 4,964,402.78 | 2.346 | 2.379 | Federal Home Loan Discount | 4,991,350.00 |
| 11539 | FAC | 5,000,000.00 | 1.000 | 02/28/2019 | 08/30/2016 | 5,000,000.00 | 0.986 | 1.000 | Federal Home Loan Bank | 4,994,450.00 |
| 12198 | FAD | 10,000,000.00 | 2.290 | 02/28/2019 | 10/19/2018 | 9,916,033.33 | 2.309 | 2.341 | Federal Home Loan Discount | 9,982,100.00 |
| 12207 | FAD | 8,000,000.00 | 2.315 | 02/28/2019 | 10/26/2018 | 7,935,694.44 | 2.333 | 2.366 | Fed Home Ln Mtg Corp Disc | 7,985,680.00 |
| 12306 | FAD | 4,000,000.00 | 0.000 | 02/28/2019 | 01/04/2019 | 3,985,577.78 | 2.368 | 2.401 | Fed Natl Mtg Assoc Disc | 3,992,840.00 |
| 12221 | FAD | 3,000,000.00 | 0.000 | 03/01/2019 | 11/09/2018 | 2,978,253.33 | 2.347 | 2.379 | Federal Home Loan Discount | 2,994,390.00 |
| 12228 | FAD | 3,000,000.00 | 2.340 | 03/04/2019 | 11/16/2018 | 2,978,940.00 | 2.356 | 2.389 | Fed Home Ln Mtg Corp Disc | 2,993,790.00 |
| 12229 | FAD | 3,000,000.00 | 0.000 | 03/05/2019 | 11/16/2018 | 2,978,745.00 | 2.356 | 2.389 | Fed Home Ln Mtg Corp Disc | 2,993,610.00 |
| 12230 | FAD | 3,000,000.00 | 2.340 | 03/06/2019 | 11/16/2018 | 2,978,550.00 | 2.356 | 2.389 | Fed Home Ln Mtg Corp Disc | 2,993,400.00 |
| 12237 | FAD | 7,000,000.00 | 2.340 | 03/07/2019 | 11/21/2018 | 6,951,770.00 | 2.356 | 2.388 | Fed Home Ln Mtg Corp Disc | 6,984,110.00 |
| 12216 | FAD | 9,000,000.00 | 2.320 | 03/08/2019 | 11/08/2018 | 8,930,400.00 | 2.338 | 2.370 | Fed Home Ln Mtg Corp Disc | 8,979,030.00 |
| 12238 | FAD | 7,000,000.00 | 0.000 | 03/11/2019 | 11/21/2018 | 6,949,950.00 | 2.356 | 2.389 | Fed Home Ln Mtg Corp Disc | 6,982,290.00 |
| 12250 | FAD | 3,000,000.00 | 2.370 | 03/12/2019 | 11/29/2018 | 2,979,657.50 | 2.386 | 2.419 | Federal Home Loan Discount | 2,992,200.00 |
| 12248 | FAD | 3,000,000.00 | 0.000 | 03/13/2019 | 11/29/2018 | 2,979,546.67 | 2.376 | 2.409 | Federal Home Loan Discount | 2,991,990.00 |
| 12249 | FAD | 3,000,000.00 | 2.360 | 03/14/2019 | 11/29/2018 | 2,979,350.00 | 2.376 | 2.409 | Federal Home Loan Discount | 2,991,810.00 |
| 11750 | FAC | 5,000,000.00 | 1.375 | 03/15/2019 | 03/15/2017 | 5,000,000.00 | 1.356 | 1.375 | Fed Home Ln Mtg Corp | 4,993,900.00 |
| 12251 | FAD | 3,000,000.00 | 2.370 | 03/15/2019 | 11/29/2018 | 2,979,065.00 | 2.386 | 2.419 | Federal Home Loan Discount | 2,991,600.00 |
| 12231 | FAD | 3,000,000.00 | 2.350 | 03/18/2019 | 11/19/2018 | 2,976,695.83 | 2.368 | 2.401 | Federal Home Loan Discount | 2,991,000.00 |
| 12232 | FAD | 3,000,000.00 | 2.350 | 03/19/2019 | 11/19/2018 | 2,976,500.00 | 2.368 | 2.401 | Federal Home Loan Discount | 2,990,790.00 |
| 12233 | FAD | 3,000,000.00 | 0.000 | 03/20/2019 | 11/19/2018 | 2,976,304.17 | 2.368 | 2.401 | Federal Home Loan Discount | 2,990,610.00 |
| 12234 | FAD | 3,000,000.00 | 2.350 | 03/21/2019 | 11/19/2018 | 2,976,108.33 | 2.368 | 2.401 | Federal Home Loan Discount | 2,990,400.00 |
| 12205 | FAD | 8,000,000.00 | 2.330 | 03/22/2019 | 10/24/2018 | 7,922,851.11 | 2.352 | 2.385 | Federal Home Loan Discount | 7,973,840.00 |
| 12243 | FAD | 8,000,000.00 | 0.000 | 03/25/2019 | 11/26/2018 | 7,937,062.22 | 2.398 | 2.432 | Federal Home Loan Discount | 7,972,240.00 |
| 12242 | FAD | 3,000,000.00 | 2.380 | 03/26/2019 | 11/26/2018 | 2,976,200.00 | 2.399 | 2.432 | Federal Home Loan Discount | 2,989,410.00 |
| 12241 | FAD | 3,000,000.00 | 0.000 | 03/27/2019 | 11/26/2018 | 2,976,001.67 | 2.399 | 2.432 | Federal Home Loan Discount | 2,989,200.00 |

| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 12307 | FAD | 4,000,000.00 | 2.395 | 03/28/2019 | 01/07/2019 | 3,978,711.11 | 2.407 | 2.441 | Federal Home Loan Discount | 3,985,320.00 |
| 11834 | FAC | 5,000,000.00 | 1.375 | 03/29/2019 | 06/29/2017 | 5,000,000.00 | 1.356 | 1.375 | Federal Home Loan Bank | 4,991,800.00 |
| 11555 | FAC | 5,000,000.00 | 1.125 | 03/29/2019 | 09/29/2016 | 5,000,000.00 | 1.109 | 1.125 | Fed Home Ln Mtg Corp | 4,990,250.00 |
| 12091 | FAD | 5,000,000.00 | 2.080 | 03/29/2019 | 04/11/2018 | 4,898,311.11 | 2.142 | 2.171 | Fed Agric Mtg Corp Discount | 4,981,350.00 |
| 12208 | FAD | 15,000,000.00 | 2.340 | 03/29/2019 | 10/29/2018 | 14,852,775.00 | 2.363 | 2.396 | Federal Home Loan Discount | 14,944,050.00 |
| 12245 | FAD | 5,000,000.00 | 2.370 | 03/29/2019 | 11/27/2018 | 4,959,841.67 | 2.389 | 2.422 | Federal Home Loan Discount | 4,981,350.00 |
| 12258 | FAD | 12,000,000.00 | 2.380 | 04/05/2019 | 12/07/2018 | 11,905,593.33 | 2.398 | 2.432 | Federal Home Loan Discount | 11,949,600.00 |
| 12259 | FAD | 7,000,000.00 | 2.380 | 04/08/2019 | 12/07/2018 | 6,943,541.11 | 2.399 | 2.432 | Federal Home Loan Discount | 6,969,200.00 |
| 12252 | FAD | 3,000,000.00 | 2.380 | 04/11/2019 | 11/30/2018 | 2,973,820.00 | 2.400 | 2.434 | Federal Home Loan Discount | 2,986,200.00 |
| 12253 | FAD | 3,000,000.00 | 2.380 | 04/12/2019 | 11/30/2018 | 2,973,621.67 | 2.401 | 2.434 | Federal Home Loan Discount | 2,985,990.00 |
| 12153 | FAD | 20,000,000.00 | 0.000 | 04/15/2019 | 07/26/2018 | 19,690,244.44 | 2.185 | 2.215 | Federal Home Loan Discount | 19,902,600.00 |
| 12154 | FAD | 75,000,000.00 | 2.120 | 04/15/2019 | 07/26/2018 | 73,838,416.67 | 2.185 | 2.215 | Federal Home Loan Discount | 74,634,750.00 |
| 12267 | FAD | 3,000,000.00 | 2.380 | 04/16/2019 | 12/11/2018 | 2,975,010.00 | 2.399 | 2.433 | Federal Home Loan Discount | 2,985,210.00 |
| 12266 | FAD | 3,000,000.00 | 2.400 | 04/17/2019 | 12/11/2018 | 2,974,600.00 | 2.420 | 2.454 | Fed Home Ln Mtg Corp Disc | 2,985,000.00 |
| 12227 | FAD | 9,000,000.00 | 2.420 | 04/18/2019 | 11/15/2018 | 8,906,830.00 | 2.445 | 2.479 | Federal Home Loan Discount | 8,954,370.00 |
| 12254 | FAD | 6,000,000.00 | 0.000 | 04/22/2019 | 11/30/2018 | 5,943,038.33 | 2.412 | 2.446 | Fed Home Ln Mtg Corp Disc | 5,968,020.00 |
| 12260 | FAD | 3,000,000.00 | 2.400 | 04/23/2019 | 12/10/2018 | 2,973,200.00 | 2.421 | 2.455 | Fed Home Ln Mtg Corp Disc | 2,983,800.00 |
| 12261 | FAD | 3,000,000.00 | 0.000 | 04/24/2019 | 12/10/2018 | 2,973,000.00 | 2.421 | 2.455 | Fed Home Ln Mtg Corp Disc | 2,983,590.00 |
| 12262 | FAD | 3,000,000.00 | 2.400 | 04/25/2019 | 12/10/2018 | 2,972,800.00 | 2.421 | 2.455 | Fed Home Ln Mtg Corp Disc | 2,983,410.00 |
| 11799 | FAC | 5,000,000.00 | 1.410 | 04/26/2019 | 04/26/2017 | 5,000,000.00 | 1.390 | 1.410 | Fed Home Ln Mtg Corp | 4,987,800.00 |
| 12263 | FAD | 10,000,000.00 | 0.000 | 04/26/2019 | 12/10/2018 | 9,908,666.67 | 2.422 | 2.455 | Fed Home Ln Mtg Corp Disc | 9,944,000.00 |
| 12264 | FAD | 5,000,000.00 | 0.000 | 04/29/2019 | 12/10/2018 | 4,953,333.33 | 2.422 | 2.456 | Fed Home Ln Mtg Corp Disc | 4,971,000.00 |
| 12247 | FAD | 25,000,000.00 | 0.000 | 04/30/2019 | 11/28/2018 | 24,745,000.00 | 2.424 | 2.458 | Federal Home Loan Discount | 24,853,250.00 |
| 12265 | FAD | 3,000,000.00 | 0.000 | 05/02/2019 | 12/10/2018 | 2,971,161.67 | 2.443 | 2.477 | Fed Home Ln Mtg Corp Disc | 2,981,940.00 |
| 12269 | FAD | 8,000,000.00 | 2.420 | 05/03/2019 | 12/12/2018 | 7,923,635.56 | 2.443 | 2.477 | Fed Home Ln Mtg Corp Disc | 7,951,280.00 |
| 12270 | FAD | 8,000,000.00 | 2.420 | 05/06/2019 | 12/12/2018 | 7,922,022.22 | 2.443 | 2.477 | Fed Home Ln Mtg Corp Disc | 7,949,680.00 |
| 12174 | FAD | 5,500,000.00 | 2.270 | 05/07/2019 | 08/31/2018 | 5,413,645.42 | 2.324 | 2.356 | Fed Home Ln Mtg Corp Disc | 5,465,020.00 |

| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 12271 | FAD | 3,000,000.00 | 2.420 | 05/08/2019 | 12/12/2018 | 2,970,355.00 | 2.444 | 2.478 | Fed Home Ln Mtg Corp Disc | 2,980,710.00 |
| 12272 | FAD | 3,000,000.00 | 2.420 | 05/09/2019 | 12/12/2018 | 2,970,153.33 | 2.444 | 2.478 | Fed Home Ln Mtg Corp Disc | 2,980,530.00 |
| 12273 | FAD | 4,000,000.00 | 2.420 | 05/10/2019 | 12/12/2018 | 3,959,935.56 | 2.444 | 2.478 | Fed Home Ln Mtg Corp Disc | 3,973,760.00 |
| 12282 | FAD | 4,000,000.00 | 0.000 | 05/13/2019 | 12/17/2018 | 3,960,800.00 | 2.423 | 2.457 | Fed Home Ln Mtg Corp Disc | 3,972,960.00 |
| 12298 | FAD | 3,000,000.00 | 2.470 | 05/14/2019 | 12/24/2018 | 2,970,977.50 | 2.494 | 2.528 | Federal Home Loan Discount | 2,979,510.00 |
| 12117 | FAC | 5,000,000.00 | 2.250 | 05/15/2019 | 05/15/2018 | 5,000,000.00 | 2.219 | 2.250 | Federal Home Loan Bank | 4,997,500.00 |
| 11602 | FAC | 5,000,000.00 | 1.100 | 05/15/2019 | 11/15/2016 | 5,000,000.00 | 1.084 | 1.100 | Fed Home Ln Mtg Corp | 4,980,750.00 |
| 12299 | FAD | 3,000,000.00 | 2.470 | 05/15/2019 | 12/24/2018 | 2,970,771.67 | 2.494 | 2.528 | Federal Home Loan Discount | 2,979,330.00 |
| 12305 | FAD | 3,000,000.00 | 2.415 | 05/16/2019 | 01/03/2019 | 2,973,233.75 | 2.436 | 2.470 | Federal Home Loan Discount | 2,979,120.00 |
| 12274 | FAD | 8,000,000.00 | 2.430 | 05/17/2019 | 12/13/2018 | 7,916,300.00 | 2.455 | 2.489 | Federal Home Loan Discount | 7,943,760.00 |
| 12276 | FAD | 8,000,000.00 | 2.450 | 05/20/2019 | 12/14/2018 | 7,914,522.22 | 2.476 | 2.510 | Fed Home Ln Mtg Corp Disc | 7,942,160.00 |
| 12277 | FAD | 3,000,000.00 | 2.450 | 05/21/2019 | 12/14/2018 | 2,967,741.67 | 2.476 | 2.511 | Fed Home Ln Mtg Corp Disc | 2,978,100.00 |
| 12278 | FAD | 3,000,000.00 | 0.000 | 05/22/2019 | 12/14/2018 | 2,967,537.50 | 2.476 | 2.511 | Fed Home Ln Mtg Corp Disc | 2,977,920.00 |
| 12279 | FAD | 3,000,000.00 | 2.450 | 05/23/2019 | 12/14/2018 | 2,967,333.33 | 2.476 | 2.511 | Fed Home Ln Mtg Corp Disc | 2,977,710.00 |
| 11813 | FAC | 5,000,000.00 | 1.400 | 05/24/2019 | 05/24/2017 | 5,000,000.00 | 1.380 | 1.400 | Federal Home Loan Bank | 4,984,000.00 |
| 12275 | FAD | 12,000,000.00 | 2.460 | 05/24/2019 | 12/13/2018 | 11,867,160.00 | 2.487 | 2.522 | Fed Home Ln Mtg Corp Disc | 11,910,000.00 |
| 12280 | FAD | 3,000,000.00 | 2.450 | 05/28/2019 | 12/14/2018 | 2,966,312.50 | 2.477 | 2.512 | Fed Home Ln Mtg Corp Disc | 2,976,690.00 |
| 12310 | FAD | 3,000,000.00 | 0.000 | 05/29/2019 | 01/17/2019 | 2,973,600.00 | 2.421 | 2.454 | Federal Home Loan Discount | 2,976,510.00 |
| 12283 | FAD | 4,000,000.00 | 2.440 | 05/29/2019 | 12/17/2018 | 3,955,808.89 | 2.467 | 2.501 | Fed Home Ln Mtg Corp Disc | 3,968,680.00 |
| 12304 | FAD | 4,000,000.00 | 2.420 | 05/30/2019 | 01/02/2019 | 3,960,204.44 | 2.444 | 2.478 | Federal Home Loan Discount | 3,968,400.00 |
| 12268 | FAD | 29,000,000.00 | 2.430 | 05/31/2019 | 12/11/2018 | 28,665,267.50 | 2.458 | 2.492 | Federal Home Loan Discount | 28,768,870.00 |
| 12303 | FAD | 7,500,000.00 | 2.430 | 06/03/2019 | 12/28/2018 | 7,420,518.75 | 2.456 | 2.490 | Federal Home Loan Discount | 7,438,275.00 |
| 12308 | FAD | 3,500,000.00 | 2.410 | 06/04/2019 | 01/08/2019 | 3,465,557.08 | 2.433 | 2.467 | Federal Home Loan Discount | 3,470,950.00 |
| 12315 | FAD | 3,500,000.00 | 2.400 | 06/05/2019 | 01/24/2019 | 3,469,200.00 | 2.421 | 2.454 | Federal Home Loan Discount | 3,470,705.00 |
| 12312 | FAD | 3,500,000.00 | 2.390 | 06/06/2019 | 01/22/2019 | 3,468,631.25 | 2.411 | 2.445 | Federal Home Loan Discount | 3,470,460.00 |
| 12313 | FAD | 3,000,000.00 | 2.390 | 06/07/2019 | 01/22/2019 | 2,972,913.33 | 2.411 | 2.445 | Federal Home Loan Discount | 2,974,500.00 |
| 12173 | FAD | 5,500,000.00 | 2.310 | 06/07/2019 | 08/30/2018 | 5,400,830.42 | 2.366 | 2.399 | Fed Home Ln Mtg Corp Disc | 5,453,250.00 |

| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 12316 | FAD | 3,000,000.00 | 2.390 | 06/10/2019 | 01/25/2019 | 2,972,913.33 | 2.411 | 2.445 | Federal Home Loan Discount | 2,973,870.00 |
| 12317 | FAD | 3,000,000.00 | 0.000 | 06/11/2019 | 01/25/2019 | 2,972,714.17 | 2.411 | 2.445 | Federal Home Loan Discount | 2,973,690.00 |
| 12318 | FAD | 4,000,000.00 | 0.000 | 06/12/2019 | 01/25/2019 | 3,963,353.33 | 2.412 | 2.445 | Federal Home Loan Discount | 3,964,640.00 |
| 11823 | FAC | 5,000,000.00 | 1.400 | 06/14/2019 | 06/14/2017 | 5,000,000.00 | 1.380 | 1.400 | Fed Home Ln Mtg Corp | 4,980,350.00 |
| 12172 | FAD | 10,000,000.00 | 2.250 | 06/14/2019 | 08/29/2018 | 9,819,375.00 | 2.312 | 2.344 | Federal Home Loan Discount | 9,910,200.00 |
| 12322 | FAD | 5,000,000.00 | 2.380 | 06/14/2019 | 01/31/2019 | 4,955,705.56 | 2.401 | 2.434 | Federal Home Loan Discount | 4,955,100.00 |
| 12289 | FAD | 5,000,000.00 | 2.450 | 06/17/2019 | 12/19/2018 | 4,938,750.00 | 2.480 | 2.514 | Federal Home Loan Discount | 4,954,100.00 |
| 12284 | FAD | 4,000,000.00 | 2.460 | 06/19/2019 | 12/17/2018 | 3,949,706.67 | 2.518 | 2.553 | Fed Home Ln Mtg Corp Disc | 3,962,760.00 |
| 12290 | FAD | 3,000,000.00 | 2.440 | 06/20/2019 | 12/19/2018 | 2,962,790.00 | 2.498 | 2.532 | Fed Home Ln Mtg Corp Disc | 2,971,860.00 |
| 12291 | FAD | 3,000,000.00 | 2.440 | 06/21/2019 | 12/19/2018 | 2,962,586.67 | 2.498 | 2.532 | Fed Home Ln Mtg Corp Disc | 2,971,650.00 |
| 12292 | FAD | 3,000,000.00 | 2.440 | 06/24/2019 | 12/19/2018 | 2,961,976.67 | 2.498 | 2.533 | Fed Home Ln Mtg Corp Disc | 2,971,050.00 |
| 12142 | FAC | 5,000,000.00 | 2.350 | 06/25/2019 | 06/25/2018 | 5,000,000.00 | 2.317 | 2.350 | Federal Farm Credit Bank | 4,999,250.00 |
| 12255 | FAD | 20,000,000.00 | 2.480 | 06/26/2019 | 12/04/2018 | 19,718,933.33 | 2.542 | 2.578 | Fed Home Ln Mtg Corp Disc | 19,804,200.00 |
| 12256 | FAD | 15,000,000.00 | 2.480 | 06/27/2019 | 12/06/2018 | 14,790,233.33 | 2.542 | 2.578 | Fed Home Ln Mtg Corp Disc | 14,852,250.00 |
| 11830 | FAC | 5,000,000.00 | 1.450 | 06/28/2019 | 06/28/2017 | 5,000,000.00 | 1.430 | 1.450 | Federal Home Loan Bank | 4,979,800.00 |
| 12287 | FAD | 10,000,000.00 | 2.450 | 06/28/2019 | 12/18/2018 | 9,869,333.33 | 2.509 | 2.544 | Federal Home Loan Discount | 9,900,800.00 |
| 12288 | FAD | 5,000,000.00 | 2.450 | 06/28/2019 | 12/19/2018 | 4,935,006.94 | 2.509 | 2.544 | Federal Home Loan Discount | 4,950,400.00 |
| 10800 | RRP | 50,432.49 | 3.500 | 07/01/2019 | 07/01/2014 | 50,432.49 | 3.452 | 3.500 | MARIN COUNTY | 50,432.49 |
| 11711 | FAC | 5,000,000.00 | 1.500 | 07/26/2019 | 01/26/2017 | 5,000,000.00 | 1.479 | 1.500 | Fed Home Ln Mtg Corp | 4,975,550.00 |
| 11848 | FAC | 5,000,000.00 | 1.530 | 07/26/2019 | 07/26/2017 | 5,000,000.00 | 1.509 | 1.530 | Fed Home Ln Mtg Corp | 4,976,250.00 |
| 11523 | FAC | 5,000,000.00 | 0.750 | 07/26/2019 | 07/26/2016 | 5,000,000.00 | 1.227 | 1.244 | Fed Natl Mtg Assoc | 4,987,450.00 |
| 12239 | FAD | 20,000,000.00 | 0.000 | 07/30/2019 | 11/21/2018 | 19,647,205.56 | 2.595 | 2.631 | Federal Home Loan Discount | 19,757,400.00 |
| 12257 | FAD | 25,000,000.00 | 2.490 | 07/30/2019 | 12/06/2018 | 24,591,916.67 | 2.557 | 2.593 | Federal Home Loan Discount | 24,696,750.00 |
| 11530 | FAC | 5,000,000.00 | 1.250 | 08/15/2019 | 08/15/2016 | 5,000,000.00 | 1.232 | 1.250 | Fed Home Ln Mtg Corp | 4,964,650.00 |
| 11862 | FAC | 5,000,000.00 | 1.500 | 08/22/2019 | 08/22/2017 | 5,000,000.00 | 1.479 | 1.500 | Federal Home Loan Bank | 4,971,750.00 |
| 12293 | FAD | 10,000,000.00 | 0.000 | 08/23/2019 | 12/19/2018 | 9,826,413.89 | 2.601 | 2.637 | Federal Home Loan Discount | 9,861,900.00 |
| 12294 | FAD | 5,000,000.00 | 2.530 | 08/26/2019 | 12/20/2018 | 4,912,504.17 | 2.601 | 2.637 | Federal Home Loan Discount | 4,929,900.00 |

| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 11816 | FAC | 5,000,000.00 | 1.500 | 08/30/2019 | 05/30/2017 | 5,000,000.00 | 1.479 | 1.500 | Fed Home Ln Mtg Corp | 4,971,550.00 |
| 12196 | FAD | 3,750,000.00 | 2.600 | 09/03/2019 | 10/18/2018 | 3,663,333.33 | 2.683 | 2.721 | Fed Agric Mtg Corp Discount | 3,695,175.00 |
| 12224 | FAD | 9,000,000.00 | 2.550 | 09/06/2019 | 11/14/2018 | 8,811,300.00 | 2.625 | 2.661 | Federal Home Loan Discount | 8,866,530.00 |
| 11542 | FAC | 5,000,000.00 | 1.125 | 09/09/2019 | 09/09/2016 | 4,995,000.00 | 1.143 | 1.159 | Fed Natl Mtg Assoc | 4,958,150.00 |
| 12295 | FAD | 11,000,000.00 | 2.530 | 09/09/2019 | 12/21/2018 | 10,797,459.44 | 2.603 | 2.639 | Federal Home Loan Discount | 10,834,670.00 |
| 11873 | FAC | 5,000,000.00 | 1.375 | 09/12/2019 | 09/12/2017 | 5,000,000.00 | 1.356 | 1.375 | Federal Farm Credit Bank | 4,966,300.00 |
| 11875 | MC1 | 46,000.00 | 3.500 | 09/15/2019 | 09/15/2017 | 46,000.00 | 3.452 | 3.500 | MARIN COUNTY | 46,000.00 |
| 11546 | FAC | 5,000,000.00 | 0.850 | 09/16/2019 | 09/16/2016 | 5,000,000.00 | 1.568 | 1.590 | Fed Home Ln Mtg Corp | 4,996,100.00 |
| 12225 | FAD | 9,000,000.00 | 2.550 | 09/20/2019 | 11/14/2018 | 8,802,375.00 | 2.627 | 2.664 | Federal Home Loan Discount | 8,857,980.00 |
| 12226 | FAD | 7,000,000.00 | 0.000 | 09/23/2019 | 11/14/2018 | 6,844,804.17 | 2.628 | 2.664 | Federal Home Loan Discount | 6,888,070.00 |
| 12236 | FAD | 2,000,000.00 | 2.670 | 09/24/2019 | 11/21/2018 | 1,954,461.67 | 2.752 | 2.791 | Fed Agric Mtg Corp Discount | 1,967,880.00 |
| 11764 | FAC | 5,000,000.00 | 1.250 | 09/27/2019 | 03/27/2017 | 5,000,000.00 | 1.672 | 1.696 | Federal Home Loan Bank | 4,982,450.00 |
| 12004 | FAC | 5,000,000.00 | 1.850 | 09/27/2019 | 12/27/2017 | 5,000,000.00 | 1.825 | 1.850 | Federal Home Loan Bank | 4,977,650.00 |
| 11771 | FAC | 5,000,000.00 | 1.570 | 09/27/2019 | 03/30/2017 | 5,000,000.00 | 1.548 | 1.570 | Fed Home Ln Mtg Corp | 4,968,050.00 |
| 11558 | FAC | 5,000,000.00 | 1.000 | 09/30/2019 | 09/30/2016 | 5,000,000.00 | 1.593 | 1.616 | Fed Home Ln Mtg Corp | 4,994,400.00 |
| 12187 | FAD | 10,000,000.00 | 2.590 | 09/30/2019 | 10/09/2018 | 9,743,877.78 | 2.677 | 2.714 | Fed Agric Mtg Corp Discount | 9,835,300.00 |
| 12195 | FAD | 10,000,000.00 | 0.000 | 10/07/2019 | 10/17/2018 | 9,743,611.11 | 2.688 | 2.725 | Federal Home Loan Discount | 9,829,200.00 |
| 12217 | FAD | 10,000,000.00 | 2.650 | 10/15/2019 | 11/08/2018 | 9,748,986.11 | 2.738 | 2.776 | Fed Agric Mtg Corp Discount | 9,823,600.00 |
| 12281 | FAD | 10,000,000.00 | 2.550 | 10/18/2019 | 12/14/2018 | 9,781,833.33 | 2.629 | 2.666 | Fed Home Ln Mtg Corp Disc | 9,821,600.00 |
| 11577 | FAC | 3,035,000.00 | 0.750 | 10/24/2019 | 10/24/2016 | 3,035,000.00 | 1.417 | 1.437 | Fed Home Ln Mtg Corp | 3,029,233.50 |
| 11584 | FAC | 5,000,000.00 | 1.300 | 10/25/2019 | 10/28/2016 | 5,000,000.00 | 1.282 | 1.300 | Fed Home Ln Mtg Corp | 4,955,250.00 |
| 11579 | FAC | 5,000,000.00 | 1.200 | 10/25/2019 | 10/25/2016 | 5,000,000.00 | 1.183 | 1.200 | Fed Natl Mtg Assoc | 4,950,850.00 |
| 11912 | FAC | 5,000,000.00 | 1.650 | 10/30/2019 | 10/30/2017 | 5,000,000.00 | 1.627 | 1.650 | Fed Home Ln Mtg Corp | 4,966,350.00 |
| 12215 | FAD | 15,000,000.00 | 2.660 | 10/31/2019 | 11/07/2018 | 14,603,216.67 | 2.751 | 2.789 | Fed Agric Mtg Corp Discount | 14,718,900.00 |
| 12235 | FAD | 10,000,000.00 | 2.620 | 11/15/2019 | 11/20/2018 | 9,738,000.00 | 2.709 | 2.747 | Fed Agric Mtg Corp Discount | 9,801,500.00 |
| 12246 | FAD | 10,000,000.00 | 2.650 | 11/27/2019 | 11/28/2018 | 9,732,055.56 | 2.742 | 2.780 | Fed Agric Mtg Corp Discount | 9,793,200.00 |
| 12296 | FAD | 9,000,000.00 | 2.550 | 12/13/2019 | 12/21/2018 | 8,772,412.50 | 2.635 | 2.672 | Federal Home Loan Discount | 8,803,170.00 |

| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 12300 | FAD | 10,000,000.00 | 2.530 | 12/13/2019 | 12/27/2018 | 9,753,325.00 | 2.613 | 2.650 | Federal Home Loan Discount | 9,781,300.00 |
| 12311 | FAD | 12,000,000.00 | 2.420 | 12/13/2019 | 01/18/2019 | 11,734,606.67 | 2.494 | 2.529 | Federal Home Loan Discount | 11,737,560.00 |
| 12320 | FAD | 40,000,000.00 | 2.410 | 12/13/2019 | 01/29/2019 | 39,148,466.67 | 2.482 | 2.516 | Federal Home Loan Discount | 39,125,200.00 |
| 12297 | FAD | 3,000,000.00 | 2.550 | 12/20/2019 | 12/21/2018 | 2,922,650.00 | 2.636 | 2.673 | Federal Home Loan Discount | 2,932,920.00 |
| 11885 | FAC | 5,000,000.00 | 1.520 | 12/27/2019 | 09/27/2017 | 4,998,750.00 | 0.900 | 0.913 | Federal Home Loan Bank | 4,952,600.00 |
| 11690 | FAC | 5,000,000.00 | 1.500 | 12/30/2019 | 12/30/2016 | 5,000,000.00 | 1.479 | 1.500 | Fed Home Ln Mtg Corp | 4,946,800.00 |
| 11691 | FAC | 5,000,000.00 | 1.250 | 12/30/2019 | 12/30/2016 | 5,000,000.00 | 1.617 | 1.639 | Fed Home Ln Mtg Corp | 4,982,650.00 |
| 12039 | MC1 | 100,000.00 | 3.500 | 02/01/2020 | 02/13/2018 | 100,115.07 | 3.448 | 3.495 | MARIN COUNTY | 100,115.07 |
| 12163 | FAC | 5,000,000.00 | 2.600 | 02/10/2020 | 08/10/2018 | 5,000,000.00 | 2.564 | 2.600 | Federal Farm Credit Bank | 5,001,350.00 |
| 12061 | FAC | 5,000,000.00 | 2.400 | 03/20/2020 | 03/20/2018 | 5,000,000.00 | 2.367 | 2.400 | Federal Home Loan Bank | 4,996,350.00 |
| 12099 | FAC | 5,000,000.00 | 2.500 | 04/20/2020 | 04/20/2018 | 5,000,000.00 | 2.465 | 2.500 | Federal Home Loan Bank | 4,993,600.00 |
| 12314 | FAC | 5,000,000.00 | 2.600 | 04/24/2020 | 01/24/2019 | 4,998,880.00 | 2.584 | 2.620 | Federal Farm Credit Bank | 5,006,400.00 |
| 11835 | FAC | 5,000,000.00 | 1.250 | 06/29/2020 | 06/29/2017 | 5,000,000.00 | 1.842 | 1.868 | Federal Home Loan Bank | 4,973,750.00 |
| 12069 | FAC | 5,000,000.00 | 2.500 | 06/29/2020 | 03/29/2018 | 5,000,000.00 | 2.466 | 2.500 | Federal Home Loan Bank | 4,988,750.00 |
| 12007 | FAC | 5,000,000.00 | 2.000 | 06/29/2020 | 12/29/2017 | 5,000,000.00 | 1.972 | 2.000 | Fed Home Ln Mtg Corp | 4,958,550.00 |
| 12321 | FAC | 5,000,000.00 | 2.650 | 07/30/2020 | 01/30/2019 | 5,000,000.00 | 2.613 | 2.650 | Federal Home Loan Bank | 5,000,650.00 |
| 11858 | FAC | 5,000,000.00 | 1.685 | 08/14/2020 | 08/15/2017 | 5,000,234.03 | 1.381 | 1.400 | Federal Home Loan Bank | 4,937,050.00 |
| 11866 | FAC | 5,000,000.00 | 1.800 | 08/28/2020 | 08/28/2017 | 5,000,000.00 | 1.775 | 1.800 | Federal Home Loan Bank | 4,938,150.00 |
| 12171 | FAC | 3,165,000.00 | 2.700 | 08/28/2020 | 08/28/2018 | 3,165,000.00 | 2.663 | 2.700 | Federal Home Loan Bank | 3,165,189.90 |
| 11876 | MC1 | 44,000.00 | 3.500 | 09/14/2020 | 09/15/2017 | 44,000.00 | 3.452 | 3.500 | MARIN COUNTY | 44,000.00 |
| 11880 | FAC | 5,000,000.00 | 1.800 | 09/21/2020 | 09/21/2017 | 5,000,000.00 | 1.775 | 1.800 | Fed Home Ln Mtg Corp | 4,935,650.00 |
| 12182 | FAC | 5,000,000.00 | 2.850 | 09/28/2020 | 09/28/2018 | 4,993,250.00 | 2.879 | 2.919 | Fed Home Ln Mtg Corp | 5,002,100.00 |
| 11890 | FAC | 5,000,000.00 | 1.500 | 09/29/2020 | 09/29/2017 | 5,000,000.00 | 1.862 | 1.888 | Fed Home Ln Mtg Corp | 4,951,450.00 |
| 11908 | FAC | 5,000,000.00 | 1.850 | 10/27/2020 | 10/27/2017 | 5,000,000.00 | 1.824 | 1.850 | Fed Natl Mtg Assoc | 4,935,550.00 |
| 12209 | FAC | 5,000,000.00 | 3.050 | 11/02/2020 | 10/30/2018 | 5,000,000.00 | 3.008 | 3.049 | Federal Home Loan Bank | 5,003,850.00 |
| 12222 | FAC | 5,000,000.00 | 2.500 | 11/13/2020 | 11/13/2018 | 5,000,000.00 | 3.317 | 3.364 | Federal Home Loan Bank | 4,999,750.00 |
| 11931 | FAC | 4,700,000.00 | 1.500 | 11/17/2020 | 11/17/2017 | 4,700,000.00 | 2.128 | 2.157 | Fed Home Ln Mtg Corp | 4,693,843.00 |

| INVESTMENT # | TYPE | FACE VALUE | STATED RATE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| 11991 | FAC | 5,000,000.00 | 2.000 | 12/14/2020 | 12/14/2017 | 5,000,000.00 | 1.972 | 2.000 | Federal Home Loan Bank | 4,947,550.00 |
| 11992 | FAC | 5,000,000.00 | 2.000 | 12/14/2020 | 12/14/2017 | 5,000,000.00 | 1.972 | 2.000 | Federal Home Loan Bank | 4,947,550.00 |
| 12285 | FAC | 5,000,000.00 | 3.000 | 12/18/2020 | 12/18/2018 | 5,000,000.00 | 2.958 | 3.000 | Federal Home Loan Bank | 5,002,100.00 |
| 12286 | FAC | 5,000,000.00 | 3.000 | 12/18/2020 | 12/18/2018 | 5,000,000.00 | 2.958 | 3.000 | Federal Home Loan Bank | 5,002,100.00 |
| 12124 | FAC | 5,000,000.00 | 2.700 | 12/21/2020 | 05/21/2018 | 4,994,600.00 | 2.706 | 2.744 | Federal Farm Credit Bank | 5,014,700.00 |
| 12032 | FAC | 5,000,000.00 | 2.300 | 01/26/2021 | 01/26/2018 | 5,000,000.00 | 2.268 | 2.300 | Federal Home Loan Bank | 4,972,350.00 |
| 12034 | FAC | 5,000,000.00 | 2.200 | 01/29/2021 | 01/29/2018 | 5,000,000.00 | 2.169 | 2.200 | Federal Home Loan Bank | 4,965,050.00 |
| 12040 | MC1 | 100,000.00 | 3.500 | 01/31/2021 | 02/13/2018 | 100,115.07 | 3.448 | 3.495 | MARIN COUNTY | 100,115.07 |
| 12045 | FAC | 5,000,000.00 | 2.125 | 02/12/2021 | 02/12/2018 | 5,000,000.00 | 2.337 | 2.369 | Federal Home Loan Bank | 4,999,050.00 |
| 12050 | FAC | 5,000,000.00 | 2.420 | 02/26/2021 | 02/28/2018 | 5,000,000.00 | 2.386 | 2.420 | Fed Home Ln Mtg Corp | 4,993,700.00 |
| 12108 | FAC | 5,000,000.00 | 2.700 | 04/30/2021 | 04/30/2018 | 5,000,000.00 | 2.663 | 2.700 | Fed Home Ln Mtg Corp | 5,002,450.00 |
| 12244 | FAC | 5,000,000.00 | 3.000 | 05/27/2021 | 11/27/2018 | 5,000,000.00 | 2.958 | 3.000 | Fed Home Ln Mtg Corp | 5,016,300.00 |
| 12143 | FAC | 5,000,000.00 | 2.550 | 06/28/2021 | 06/28/2018 | 5,000,000.00 | 2.966 | 3.007 | Fed Home Ln Mtg Corp | 5,001,600.00 |
| 12183 | FAC | 5,000,000.00 | 3.020 | 06/28/2021 | 09/28/2018 | 5,000,000.00 | 2.979 | 3.021 | Fed Home Ln Mtg Corp | 5,003,750.00 |
| 12302 | FAC | 9,000,000.00 | 3.000 | 06/28/2021 | 12/28/2018 | 9,000,000.00 | 2.958 | 3.000 | Fed Home Ln Mtg Corp | 9,011,610.00 |
| 12319 | FAC | 5,000,000.00 | 2.850 | 07/29/2021 | 01/29/2019 | 5,000,000.00 | 2.810 | 2.850 | Federal Home Loan Bank | 4,995,500.00 |
| 12161 | FAC | 5,000,000.00 | 2.850 | 07/30/2021 | 07/30/2018 | 5,000,000.00 | 2.810 | 2.850 | Fed Home Ln Mtg Corp | 5,007,250.00 |
| 11877 | MC1 | 42,000.00 | 3.560 | 09/15/2021 | 09/15/2017 | 42,000.00 | 3.511 | 3.560 | MARIN COUNTY | 42,000.00 |
| 12175 | FAC | 5,000,000.00 | 2.950 | 09/17/2021 | 09/17/2018 | 4,997,500.00 | 2.926 | 2.967 | Federal Home Loan Bank | 4,999,900.00 |
| 12240 | FAC | 5,000,000.00 | 2.750 | 11/26/2021 | 11/26/2018 | 5,000,000.00 | 3.436 | 3.484 | Federal Home Loan Bank | 4,999,900.00 |
| 12301 | FAC | 5,000,000.00 | 3.000 | 12/28/2021 | 12/28/2018 | 5,000,000.00 | 3.397 | 3.444 | Fed Home Ln Mtg Corp | 5,006,300.00 |
| 12041 | MC1 | 100,000.00 | 3.560 | 02/01/2022 | 02/13/2018 | 100,117.04 | 3.507 | 3.555 | MARIN COUNTY | 100,117.04 |
| 11738 | RRP | 666,959.70 | 4.500 | 02/28/2022 | 03/01/2017 | 666,959.70 | 4.438 | 4.500 | MARIN COUNTY | 666,959.70 |
| 11869 | RRP | 1,879,579.23 | 4.500 | 09/01/2022 | 09/01/2017 | 1,879,579.23 | 4.438 | 4.500 | MARIN COUNTY | 1,879,579.23 |
| 11878 | MC1 | 40,000.00 | 3.648 | 09/15/2022 | 09/15/2017 | 40,000.00 | 3.598 | 3.648 | MARIN COUNTY | 40,000.00 |
| 12042 | MC1 | 100,000.00 | 3.648 | 02/01/2023 | 02/13/2018 | 100,119.93 | 3.593 | 3.643 | MARIN COUNTY | 100,119.93 |

| | | | |
|---|---|---|---|
| 1,268,701,734.81 | 1,256,299,892.01 | | 1,259,708,898.39 |
| AMORTIZATION & ACCRETION OF PREMIUMS & DISCOUNTS | 746.45 | ACCRUED INTEREST DISCOUNT INVESTMENTS | |
| 1,268,701,734.81 | 1,256,300,638.46 | | 1,259,708,898.39 |

TREASURER DIVISION - DEPARTMENT OF FINANCE
PORTFOLIO SUMMARY REPORT - OPERATING FUNDS
COUNTY OF MARIN, SCHOOLS & SPECIAL DISTRICTS
January 31, 2019

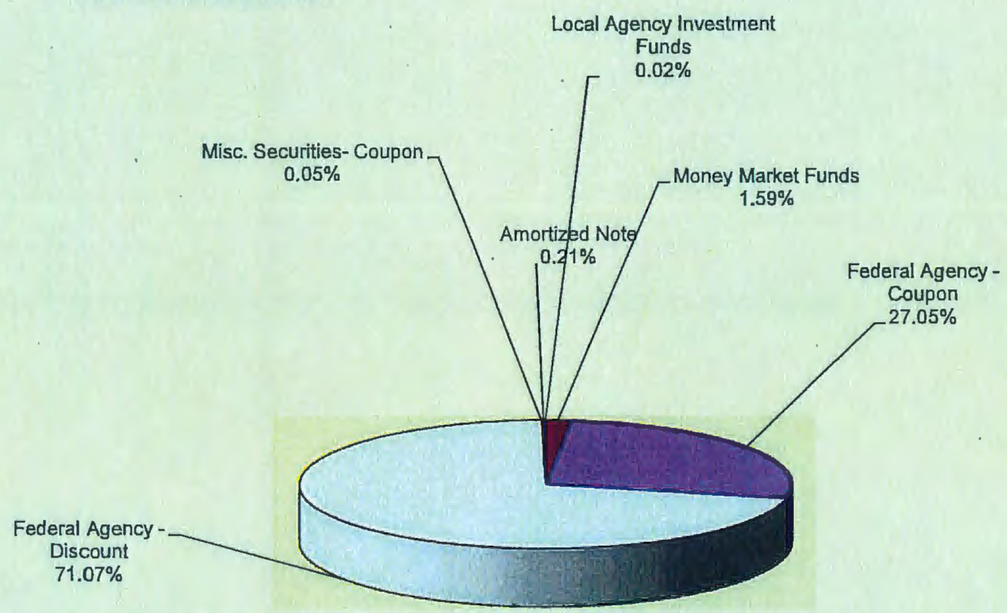
| DESCRIPTION | ENDING BALANCE January 31, 2019 | AVERAGE BALANCE January 31, 2019 | WEIGHTED AVERAGE DAYS TO MATURITY | ANNUALIZED YIELD January 31, 2019 | YIELD January 31, 2019 |
|---|---|---|---|---|---|
| LOCAL AGENCY INVESTMENT FUNDS | $245,998.81 | $245,331.51 | 1 | 2.355 | 2.355 |
| MONEY MARKET FUNDS | $20,036,764.58 | $19,932,083.87 | 1 | 2.276 | 2.270 |
| FEDERAL AGENCY ISSUES - COUPON | $339,878,214.03 | $331,676,455.28 | 465 | 1.990 | 2.065 |
| FEDERAL AGENCY ISSUES - DISCOUNT | $892,869,360.99 | $917,870,572.57 | 126 | 2.428 | 2.472 |
| TREASURY SECURITIES - COUPON | | | | | |
| TREASURY SECURITIES - DISCOUNT | | | | | |
| MISC SECURITIES - COUPON | $672,582.18 | $672,000.00 | 736 | 3.544 | 3.540 |
| AMORTIZED NOTE | $2,596,971.42 | $2,596,971.42 | 1,238 | 3.961 | 4.481 |
| TOTALS & AVERAGES | $1,256,299,892.01 | $1,272,993,414.65 | 219 | 2.316% | 2.364% |

The Local Agency Investment Funds is an open ended account and is not included in the total weighted days to maturity.

**Treasurer Division - Department of Finance**
**Portfolio Yield Report - Operating Funds**
**County of Marin, Schools & Special Districts**
**January 31, 2019**

| INVESTMENT HOLDINGS | BOOK VALUE | 1/31/19 |
|---|---|---|
| Local Agency Investment Funds | $245,998.81 | 2.355% |
| Money Market Funds | $20,036,764.58 | 2.270% |
| Federal Agency - Coupon | $339,878,214.03 | 2.065% |
| Federal Agency - Discount | $892,869,360.99 | 2.472% |
| Misc. Securities- Coupon | $672,582.18 | 3.540% |
| Amortized Note | $2,596,971.42 | 4.481% |
| TOTAL | $1,256,299,892.01 | 2.364% |

PORTFOLIO ALLOCATION



# TREASURER DIVISION - DEPARTMENT OF FINANCE

## REPORT OF INVESTMENTS - NON-OPERATING FUNDS

## SAN RAFAEL SCHOOLS

## January 31, 2019



| INVESTMENT # | TYPE | FACE VALUE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|
| 687 | LA1 | 0.00 | / / | / / | 0.00 | 5.181 | 5.253 | LOCAL AGENCY INVESTMENT FUND | 0.00 |
| 746 | LA1 | 442,594.91 | / / | / / | 442,594.91 | 2.322 | 2.355 | LOCAL AGENCY INVESTMENT FUND | 442,594.91 |
| | | **442,594.91** | | | **442,594.91** | | | | **442,594.91** |
| AMORTIZATION & ACCRETION OF PREMIUMS & DISCOUNTS | | | | | -0- | | | | |
| | | **442,594.91** | | | **442,594.91** | | | | **442,594.91** |

# TREASURER DIVISION - DEPARTMENT OF FINANCE

## REPORT OF INVESTMENTS - NON-OPERATING FUNDS

## CHILDREN & FAMILIES COMMISSION

## January 31, 2019



| INVESTMENT # | TYPE | FACE VALUE | MATURITY DATE | PURCHASE DATE | BOOK VALUE | YTM 360 DAYS | YTM 365 DAYS | DESCRIPTION | MARKET VALUE |
|---|---|---|---|---|---|---|---|---|---|
| 101 | LA2 | 102,176.48 | / / | / / | 102,176.48 | 2.322 | 2.355 | LOCAL AGENCY INVESTMENT FUND | 102,176.48 |
| | | **102,176.48** | | | **102,176.48** | | | | **102,176.48** |