NEW ISSUE—FULL BOOK-ENTRY

RATINGS: "AA" (S&P)
"Aa2" (Moody's)
See "MISCELLANEOUS—Ratings" herein

STATE OF CALIFORNIA **COUNTY OF LOS ANGELES**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest (and original issue discount) on the Series B Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, such interest (and original issue discount) is exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Series B Bonds. See "LEGAL MATTERS—Tax Matters" herein.

$49,995,000
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
ELECTION OF 2016 GENERAL OBLIGATION BONDS
SERIES B (FEDERALLY TAXABLE)

Dated: Date of Delivery **Due: As shown on the following page**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The $49,995,000 South Pasadena Unified School District (Los Angeles County, California) Election of 2016 General Obligation Bonds, Series B (Federally Taxable) (the "Series B Bonds") were authorized at an election of the registered voters of the South Pasadena Unified School District (the "District") held on November 8, 2016, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $98,000,000 principal amount of general obligation bonds of the District (the "2016 Authorization"). The Series B Bonds represent the second series of bonds issued under the 2016 Authorization and are being issued to (i) finance improvements to and the acquisition of equipment for various schools within the District as authorized by the voters at the November 8, 2016 election, (ii) pay a portion of the interest due on the Series B Bonds through February 1, 2021, and (iii) pay the costs of issuing the Series B Bonds. See "INTRODUCTION—Purpose of Issue" and "THE SERIES B BONDS—Application and Investment of Series B Bond Proceeds and Tax Revenues" herein.

The Series B Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District and from other amounts on deposit in the Debt Service Fund (defined herein). The Board of Supervisors of Los Angeles County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the Series B Bonds when due. The District has other outstanding general obligation bonds which are secured by and payable from *ad valorem* taxes levied on taxable property within the District. See "SECURITY FOR THE SERIES B BONDS" and "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—*Ad Valorem* Property Taxation" herein.

The Series B Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Payments of principal of and interest on the Series B Bonds will be paid by U.S. Bank National Association, as agent of the Treasurer and Tax Collector of Los Angeles County, as the designated paying agent, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the beneficial owners of the Series B Bonds. See "THE SERIES B BONDS—Book-Entry Only System" herein.

The Series B Bonds will be dated their date of delivery. Interest on the Series B Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020.

The Series B Bonds are subject to redemption prior to maturity. See "THE SERIES B BONDS—Redemption of Bonds" herein.

THE SERIES B BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE SOLELY FROM AMOUNTS IN THE DEBT SERVICE FUND, CONSISTING OF CAPITALIZED INTEREST FUNDED WITH SERIES B BOND PROCEEDS AND AD VALOREM PROPERTY TAXES LEVIED AND COLLECTED BY THE COUNTY OF LOS ANGELES ON TAXABLE PROPERTY WITHIN THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY OF LOS ANGELES. NO PART OF ANY FUND OF THE COUNTY OF LOS ANGELES IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES B BONDS.

MATURITY SCHEDULE
(See Following Page)

The Series B Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel. Certain matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Denver, Colorado. The Series B Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about December 12, 2019.

STIFEL

Dated: November 19, 2019

MATURITY SCHEDULE

BASE CUSIP† NO. 839278

$49,995,000
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
ELECTION OF 2016 GENERAL OBLIGATION BONDS
SERIES B (FEDERALLY TAXABLE)

Maturity (August 1)	*Principal Amount*	*Interest Rate*	*Yield*	*CUSIP†*
2021	$865,000	5.000%	1.796%	JU3
2022	460,000	5.000	1.863	JV1
2023	605,000	5.000	1.970	JW9
2024	625,000	5.000	2.070	JX7
2025	675,000	5.000	2.311	JY5
2026	715,000	5.000	2.411	JZ2
2027	145,000	5.000	2.534	KA5
2028	250,000	5.000	2.584	KB3
2029	370,000	5.000	2.634	KC1

$3,240,000 3.004% Term Bonds due August 1, 2034, Yield: 3.004% CUSIP† KD9
$7,085,000 5.000% Term Bonds due August 1, 2039, Yield: 3.004%[C] CUSIP† KE7
$34,960,000 3.404% Term Bonds due August 1, 2049, Yield: 3.404% CUSIP† KF4

[C] Yield to first optional redemption date of August 1, 2029 at par.

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 herein. If given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series B 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 Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein since the date hereof. This Official Statement is being submitted in connection with the sale of the Series B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "THE DISTRICT" and "DISTRICT FINANCIAL MATTERS" herein.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. While the District has agreed to provide certain on-going financial and operating data on an annual basis, it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change. See "CONTINUING DISCLOSURE" and Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

All information material to the making of an informed investment decision with respect to the Series B Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES B BONDS DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Dr. Suzie Abajian, *President*
Dr. Michele Kipke, *Clerk*
Zahir Robb, *Member*
Jon Primuth, *Member*
Dr. Ruby Kalra, *Member*

DISTRICT ADMINISTRATION

Geoff Yantz, Ed.D., *Superintendent*
David Lubs, *Assistant Superintendent of Business Services*
Dana Smith, *Fiscal Services Director*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor
Piper Jaffray & Co.
El Segundo, California

Underwriter
Stifel, Nicolaus & Company, Incorporated
Los Angeles, California

Paying Agent
U.S. Bank National Association, as agent for the
Treasurer and Tax Collector of Los Angeles County
Los Angeles, California

TABLE OF CONTENTS

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$49,995,000
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
ELECTION OF 2016 GENERAL OBLIGATION BONDS
SERIES B (FEDERALLY TAXABLE)

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the South Pasadena Unified School District (the "District"), located in Los Angeles County, California, to provide information concerning the $49,995,000 South Pasadena Unified School District, Los Angeles County, California, Election of 2016 General Obligation Bonds, Series B (Federally Taxable) (the "Series B Bonds").

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

Changes to Preliminary Official Statement

Subsequent to the posting of the Preliminary Official Statement for the Series B Bonds, dated November 8, 2019, the District received its audited financial statements for fiscal year 2018-19 (the "2018-19 Financial Statements"). The District's Board (as defined below) expects to accept the 2018-19 Financial Statements at its January 14, 2020 meeting. A copy of the 2018-19 Financial Statements is attached hereto as Appendix H and should be read in its entirety. Information regarding the District's General Fund that corresponds to certain of the historical data on the General Fund contained herein under the caption "DISTRICT FINANCIAL CONDITION" can be found in the 2018-19 Financial Statements on pages 13 and 15 related to the General Fund Balance Sheet and Statement of Revenues and Expenditures, on page 38 in Note 7 related to long-term liabilities, on page 44 in Note 9G related to the District's OPEB liability, on pages 47-53 in Note 10 related to pension information for STRS and PERS, and on page 58 comparing the fiscal year 2018-19 budget to actual results.

The District

The District was established in 1886 and is located in a three square mile area between the cities of Los Angeles, San Marino, Alhambra and Pasadena in Los Angeles County (the "County"), 10 miles northeast of the City of Los Angeles. The District boundaries are coterminous with the boundaries of the City of South Pasadena (the "City"). The District operates three elementary schools, one middle school, one high school, a district office and a maintenance office. The total enrollment in the District during fiscal year 2019-20 is budgeted to be 4,770 students.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Board appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. See "THE DISTRICT."

Purpose of Issue

The Series B Bonds were approved by the voters of the District at the November 8, 2016 election. At the election, the voters approved the issuance of $98,000,000 of general obligation bonds (the "2016 Authorization"). Pursuant to the 2016 Authorization, on March 30, 2017, the District issued its $24,995,000 Election of 2016 General Obligation Bonds, Series A. The Series B Bonds represent the second series to be issued pursuant to the 2016 Authorization. Proceeds from the Series B Bonds will be used to (i) finance improvements to and the acquisition of equipment for various schools within the District as authorized by the voters at the November 8, 2016 election (the "Project"), (ii) pay a portion of the interest due on the Series B Bonds through February 1, 2021, and (iii) pay the costs of issuing the Series B Bonds. See "THE SERIES B BONDS—Application and Investment of Series B Bond Proceeds and Tax Revenues" and "Sources and Uses of Funds" herein.

Sources of Payment for the Series B Bonds

Ad Valorem Taxes. The Series B Bonds are general obligation bonds of the District. The Board of Supervisors of the County has the power and is obligated annually to levy *ad valorem* taxes for the payment of the Series B 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). See "SECURITY FOR THE SERIES B BONDS" herein.

THE SERIES B BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE SOLELY FROM AMOUNTS IN THE DEBT SERVICE FUND CONSISTING OF CAPITALIZED INTEREST FUNDED WITH SERIES B BOND PROCEEDS AND AD VALOREM PROPERTY TAXES LEVIED AND COLLECTED BY THE COUNTY ON TAXABLE PROPERTY WITHIN THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES B BONDS.

Description of the Series B Bonds

Maturity Dates. The Series B Bonds will mature on August 1 in the years and in the principal amounts set forth on the page following the cover page of this Official Statement.

Payment Dates. The Series B Bonds will be dated their date of delivery. Interest on the Series B Bonds accrues from their dated date at the rates set forth on the page following the cover page of this Official Statement, and is payable semiannually on each February 1 and August 1, commencing February 1, 2020 (each, a "Bond Payment Date"). The principal amount of the Series B Bonds is payable at maturity upon surrender of the applicable Series B Bond for payment.

Redemption. The Series B Bonds are subject to redemption prior to maturity. See "THE SERIES B BONDS—Redemption of Bonds" herein.

Registration. The Series B Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Series B Bonds (the "Beneficial Owners") in authorized denominations, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through entities eligible to participate in DTC's book-entry system ("DTC Participants") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series B Bonds. See "THE SERIES B BONDS—Book-Entry Only System" and Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Denominations. The Series B Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of $5,000 or any integral multiple thereof.

Authority for Issuance of the Series B Bonds

The Series B Bonds are being issued pursuant to certain provisions of the State of California Government Code, as well as other applicable law, and pursuant to resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County of Los Angeles. See "THE SERIES B BONDS—Authority for Issuance" herein.

Offering and Delivery of the Series B Bonds

The Series B Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Series B Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December 12, 2019.

Continuing Disclosure

The District will enter into a Continuing Disclosure Certificate in connection with the Series B Bonds in which it will covenant for the benefit of the Underwriter, the bondholders and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, as amended. The specific nature of the information to be made available and the enumerated events are summarized below under the caption "CONTINUING DISCLOSURE" and set forth in APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Series B Bonds. Piper Jaffray & Co., El Segundo, California is serving as municipal advisor to the District in connection with the issuance of the Series B Bonds. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter. The fees paid to these consultants are contingent upon the sale and delivery of the Series B Bonds.

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 Series B Bonds are available from the South Pasadena Unified School District, 1020 El Centro Street, South Pasadena, California 91030, telephone: (626) 441-5810. The District may impose a charge for copying, mailing and handling.

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

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

All terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Resolution (as defined below).

THE SERIES B BONDS

Authority for Issuance

The Series B Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code commencing with Section 53506 (the "Act") and other applicable law, and pursuant to a resolution adopted by the Board of Education of the District on October 15, 2019 (the "Bond Resolution") and a resolution adopted by the Board of Supervisors of the County on October 29, 2019. Pursuant to its resolution, the Board of Supervisors of the County has agreed that it will levy *ad valorem* taxes for the payment of the principal of and interest on the Series B Bonds. See "SECURITY FOR THE SERIES B BONDS" herein.

Pursuant to the 2016 Authorization, the District is authorized to issue $98,000,000 of general obligation bonds. Upon the issuance of the Series B Bonds, $74,990,000 of the general obligation bonds of the 2016 Authorization will have been issued, leaving $23,010,000 amount of bonds authorized but unissued.

Security and Sources of Payment

The Series B Bonds are general obligation bonds of the District payable solely from amounts in the South Pasadena Unified School District Election of 2016 General Obligation Bonds Debt Service Fund, Series B (the "Debt Service Fund") established under the Bond Resolution consisting of *ad valorem* property taxes and proceeds of the Series B Bonds deposited therein. Such taxes will be levied annually by the County in addition to all other taxes during the period that the Series B Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series B Bonds when due. See "SECURITY FOR THE SERIES B BONDS" and "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS." Such taxes, when collected, will be placed by the County in the Debt Service Fund, which fund is segregated and maintained by the County. The Debt Service Fund is irrevocably pledged for the payment of principal of and interest on the Series B Bonds when due. Although the County is obligated to levy *ad valorem* taxes for the payment of the Series B Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series B Bonds, the Series B Bonds are not a debt of the County.

Pursuant to Section 53515 of the State of California Government Code, enacted by Senate Bill 222 (Stats. 2015, Chapter 78), the Series B Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. Section 53515 provides that: (i) the lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Series B Bonds are executed and delivered, and (ii) the revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series B Bonds as such principal and interest becomes due and payable, will be transferred to the Paying Agent. The Paying Agent will, in turn, transfer the funds to DTC, which is to distribute the principal and interest payments due on the Series B Bonds to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Series B Bonds. See "—Book-Entry Only System."

Description of the Series B Bonds

The Series B Bonds will be dated their date of delivery. Interest on the Series B Bonds accrues from their dated date, and is payable semiannually on each Bond Payment Date, commencing February 1, 2020 at the annual interest rates shown on the pages following the cover page of this Official Statement. The Series B Bonds are issuable in denominations of $5,000 or any integral multiple thereof. Interest will accrue on the Series B Bonds on the basis of a 360-day year comprised of twelve 30 day months.

Payment of interest on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date. For purposes of the foregoing, "Record Date" means the close of business on the fifteenth (15th) day of the month preceding each Bond Payment Date.

Paying Agent

U.S. Bank National Association will act as agent of the Treasurer and Tax Collector of Los Angeles County, as the designated paying agent, authenticating agent and transfer agent (the "Paying Agent") for the Series B Bonds.

If the Paying Agent resigns or is removed by the District, a successor Paying Agent will be appointed by the District. Any successor Paying Agent selected by the District, other than the Treasurer, may be any bank, trust company, national banking association or other financial institution doing business in the State of California and with at least $100,000,000 in net assets.

Application and Investment of Series B Bond Proceeds and Tax Revenues

The Series B Bonds are being issued to: (i) finance the Project, (ii) pay a portion of the interest due on the Series B Bonds through February 1, 2021, and (iii) pay the costs of issuing the Series B Bonds.

A portion of the proceeds from the sale of the Series B Bonds paid to the District by the Underwriter shall be deposited in the South Pasadena Unified School District Election of 2016 General Obligation Bonds Building Fund, Series B (the "Building Fund") established under the Bond Resolution and shall be kept separate and distinct from all other District and County funds. Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund. The proceeds in the Building Fund shall be disbursed as directed by the District to pay for the Project.

In accordance with the Bond Resolution, on the date of delivery of the Series B Bonds, a portion of the amount to be deposited to the Building Fund will be transferred to U.S. Bank National Association for deposit to a Costs of Issuance Fund to pay the costs of issuing the Series B Bonds.

Any original issue premium received from the sale of the Series B Bonds and the *ad valorem* property taxes securing the payment of the Series B Bonds, when received, shall be kept separate and apart in the Debt Service Fund established under the Bond Resolution and used only for payments of principal and interest on the Series B Bonds. Interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal of and interest on the Series B Bonds when due.

Any excess proceeds of the Series B Bonds not needed for the purpose for which the Series B Bonds are issued shall be transferred from the Building Fund to the Debt Service Fund and applied to the payment of principal of and interest on the Series B Bonds. If after payment in full of the Series B Bonds there remains excess proceeds, any such excess amounts shall be transferred to the District's General Fund.

Investment of Bond Proceeds. Monies held in the Building Fund and the Debt Service Fund established under the Bond Resolution may be invested in any investments which are lawful investments for school districts under the laws of the State of California.

It is anticipated that monies in the Building Fund and the Debt Service Fund will be invested in the Los Angeles County Treasury Pool. See APPENDICES F and G hereto.

Redemption of Bonds

Optional Redemption. The Series B Bonds maturing on or before August 1, 2029 are not subject to redemption. The Series B Bonds maturing on or after August 1, 2030 may be redeemed before maturity at the option of the District on any date on or after August 1, 2029 as a whole, or in part by lot from such maturity or maturities as are selected by the District, at a redemption price equal to the principal amount of the Series B Bonds selected for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series B Bonds maturing on August 1, 2034 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2030 at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series B Bonds to be so redeemed and the dates therefor and the final principal payment date and amount are set forth in the following table:

Redemption Date (August 1)	***Principal Amount***
2030	$410,000
2031	505,000
2032	630,000
2033	775,000
2034†	920,000

(†) Final Maturity.

The Series B Bonds maturing on August 1, 2039 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2035 at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series B Bonds to be so redeemed and the dates therefor and the final principal payment date and amount are set forth in the following table:

Redemption Date (August 1)	***Principal Amount***
2035	$1,080,000
2036	1,235,000
2037	1,400,000
2038	1,590,000
2039†	1,780,000

(†) Final Maturity.

The Series B Bonds maturing on August 1, 2049 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2040 at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Series B Bonds to be so redeemed and the dates therefor and the final principal payment date and amount are set forth in the following table:

Redemption Date (August 1)	***Principal Amount***
2040	$1,990,000
2041	2,190,000
2042	2,395,000
2043	2,615,000
2044	2,855,000
2045	3,100,000
2046	3,355,000
2047	5,080,000
2048	5,480,000
2049†	5,900,000

(†) Final Maturity.

If any of the Series B Bonds maturing on August 1, 2034, August 1, 2039 or August 1, 2049 shall have been optionally redeemed, in part, then the mandatory sinking fund payments for such Series B Bonds shall be reduced as directed in writing by the District or in the absence of written direction then, as nearly as practicable, on a pro rata basis in increments of $5,000.

Selection of Series B Bonds for Redemption

Whenever provision is made in the Bond Resolution for the optional redemption of Series B Bonds outstanding thereunder and less than all Series B Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select one or more maturities of Series B Bonds for redemption in accordance with such written instructions. Within a maturity, the Paying Agent shall select Series B Bonds for redemption by lot in such manner as the Paying Agent determines. The portion of any Series B Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof.

Notice of and Effect of Redemption of the Series B Bonds

When redemption is authorized or required pursuant to the Bond Resolution, the Paying Agent shall give notice of the redemption of the Series B Bonds at least 30 but not more than 60 days prior to the redemption date (a) so long as the Series B Bonds are registered in the name of DTC or its nominee, in such manner as complies with the requirements of DTC, and (b) if the Series B Bonds are no longer held in book-entry form, by first class mail, postage prepaid to each Owner of the Series B Bonds at the addresses appearing on the bond register. Neither failure to receive any redemption notice nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the Series B Bonds.

Each redemption notice shall specify: (a) the Series B Bonds or designated portions thereof (in the case of redemption of the Series B 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 Series B Bonds to be redeemed, (f) the numbers of the Series B Bonds to be redeemed in whole or in part and, in the case of any Series B Bond to be redeemed in part only, the Principal Amount of such Series B Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Series B Bond to be redeemed in whole or in part. Each redemption notice shall further state that on the specified date there shall become due and payable upon each Series B Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date and that from and after such date, interest with respect thereto shall cease to accrue. Redemption notices (and related notices) may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Series B Bonds.

Any redemption notice for an optional redemption of the Series B Bonds delivered may be conditional, and, if any condition stated in the redemption notice shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the District shall not be required to redeem such Series B Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

If on a redemption date moneys for the redemption of the Series B Bonds to be redeemed, together with interest accrued to such redemption date, are held by the Paying Agent, and if notice of redemption thereof shall have been given as set forth in the Bond Resolution, then from and after such redemption date, interest with respect to the Series B Bonds to be redeemed shall cease to accrue and become payable. When any Series B Bonds (or portions thereof) which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent and sufficient moneys are held by the Paying Agent or an escrow agent appointed by the District irrevocably in trust for the payment of the redemption price of such Series B Bonds or portions thereof, then such Series B Bonds shall no longer be deemed outstanding under the Bond Resolution and shall be surrendered to the Paying Agent for cancellation or on the applicable redemption date.

Book-Entry Only System

One fully registered bond without coupons for each maturity of the Series B Bonds will be issued and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series B Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their ownership interest in the Series B Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to DTC Participants for subsequent dispersal to the Beneficial Owners of the Series B Bonds as described herein. See Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Defeasance

All or a portion of the outstanding Series B Bonds may be paid and discharged in any one or more of the following ways:

(1) Cash: by irrevocably depositing with the Paying Agent or an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all the Series B Bonds designated for defeasance, including all principal and interest and premium, if any; or

(2) Government Obligations: by irrevocably depositing with the Paying Agent or an independent escrow agent selected by the District noncallable Government Obligations (as defined below), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with interest to accrue thereon, be fully sufficient to pay all Series B Bonds designated for defeasance, including all principal, interest and premium, if any, at or before their maturity date or redemption date, as applicable.

If a Bond is defeased as described above, then all obligations of the District under the Bond Resolution with respect to such outstanding Series B Bond shall cease and terminate, whether or not such Bond has been surrendered for payment, except only the obligation of the District and the Paying Agent, or an independent escrow agent selected by the District to pay or cause to be paid to the Owners of the Series B Bonds, all sums due thereon from the amounts on deposited pursuant to (1) and (2) above.

In the Bond Resolution, Government Obligations are defined as:

Direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips) or obligations that are unconditionally guaranteed as to principal and interest by the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying direct and general obligations of the United States of America; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying direct and general obligations of the United States of America; and (iii) the underlying direct and general obligations of the United States of America are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated by S&P Global Ratings and Moody's Investors Service in the same rating category as the underlying direct and general obligations of the United States of America.

Supplemental Resolutions

The Bond Resolution and the rights and obligations of the District and of the Owners of the Series B Bonds Outstanding thereunder may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate principal amount of the Series B Bonds then Outstanding under the Bond Resolution, exclusive of any of such Series B Bonds owned by the District; provided, however, that no such modification or amendment shall, without the express consent of the Owner of each Series B Bond affected, reduce the principal amount of any such Series B Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

The Bond Resolution and the rights and obligations of the District and of the Owners of the Series B Bonds Outstanding thereunder may be modified or amended at any time by a supplemental resolution adopted by the District, without the written consent of the Owners:

(1) To add to the covenants and agreements of the District in the Bond Resolution other covenants and agreements to be observed by the District which are not contrary to or inconsistent with such resolution as theretofore in effect;

(2) To add to the limitations and restrictions in the Bond Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the such resolution as theretofore in effect;

(3) To confirm or provide as further assurance any pledge under, and to subject to any lien or pledge created or to be created by, the Bond Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Bond Resolution;

(4) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in the Bond Resolution; or

(5) To amend or supplement the Bond Resolution in any other respect, provided such Supplemental Resolution does not adversely affect the interests of the Owners of the Series B Bonds Outstanding thereunder.

Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Series B Bonds Outstanding under the Bond Resolution and shall not be deemed an infringement of any of the provisions of the Bond Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of the Bond Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

Unclaimed Moneys

Anything in the Bond Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Series B Bonds which remain unclaimed for one year after the date when such Series B Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for one year after the date of deposit of such moneys if deposited with the Paying Agent after said date when such bonds become due and payable, shall be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Series B Bonds shall look only to the District for the payment of such Bonds; provided, however, that before being required to make such payment to the District, the Paying Agent shall, at the expense of District, cause to be mailed to the Owners of all such Series B Bonds at their respective addresses appearing on the registration books, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than 30 days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the District.

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series B Bonds are as follows:

Sources of Funds	
Principal Amount of Series B Bonds	$49,995,000.00
Original Issue Premium	1,754,730.70
Total Sources of Funds	$51,749,730.70
Uses of Funds	
Building Fund	$49,573,097.50
Debt Service Fund[1]	1,754,730.70
Costs of Issuance[2]	421,902.50
Total Uses of Funds	$51,749,730.70

(1) Used to pay a portion of the interest on the Series B Bonds through February 1, 2021.
(2) All costs of issuance related to the Series B Bonds, together with Underwriter's discount.

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service on the Series B Bonds, assuming there are no optional redemptions of the Series B Bonds:

Period Ending (August 1)	***Series B Bonds Annual Principal Payment***	***Series B Bonds Annual Interest Payment***	***Total***
2020	$ 0.00	$ 1,194,055.62	$ 1,194,055.62
2021	865,000.00	1,877,118.00	2,742,118.00
2022	460,000.00	1,833,868.00	2,293,868.00
2023	605,000.00	1,810,868.00	2,415,868.00
2024	625,000.00	1,780,618.00	2,405,618.00
2025	675,000.00	1,749,368.00	2,424,368.00
2026	715,000.00	1,715,618.00	2,430,618.00
2027	145,000.00	1,679,868.00	1,824,868.00
2028	250,000.00	1,672,618.00	1,922,618.00
2029	370,000.00	1,660,118.00	2,030,118.00
2030	410,000.00	1,641,618.00	2,051,618.00
2031	505,000.00	1,629,301.60	2,134,301.60
2032	630,000.00	1,614,131.40	2,244,131.40
2033	775,000.00	1,595,206.20	2,370,206.20
2034	920,000.00	1,571,925.20	2,491,925.20
2035	1,080,000.00	1,544,288.40	2,624,288.40
2036	1,235,000.00	1,490,288.40	2,725,288.40
2037	1,400,000.00	1,428,538.40	2,828,538.40
2038	1,590,000.00	1,358,538.40	2,948,538.40
2039	1,780,000.00	1,279,038.40	3,059,038.40
2040	1,990,000.00	1,190,038.40	3,180,038.40
2041	2,190,000.00	1,122,298.80	3,312,298.80
2042	2,395,000.00	1,047,751.20	3,442,751.20
2043	2,615,000.00	966,225.40	3,581,225.40
2044	2,855,000.00	877,210.80	3,732,210.80
2045	3,100,000.00	780,026.60	3,880,026.60
2046	3,355,000.00	674,502.60	4,029,502.60
2047	5,080,000.00	560,298.40	5,640,298.40
2048	5,480,000.00	387,375.20	5,867,375.20
2049	5,900,000.00	200,836.00	6,100,836.00
Total	$ 49,995,000.00	$ 39,933,555.42	$ 89,928,555.42

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The following table summarizes the aggregate annual debt service requirements for all of the District's outstanding general obligation bonds, assuming there are no optional redemptions of the Prior General Obligation Bonds (as defined herein) or the Series B Bonds:

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
AGGREGATE ANNUAL DEBT SERVICE[(1)]

Year Ending (November 1)	*Prior General Obligation Bonds*	*Series B Bonds*	*Total*
2020	$ 7,719,281	$ 1,194,056	$ 8,913,337
2021	5,810,590	2,742,118	8,552,708
2022	6,036,650	2,293,868	8,330,518
2023	6,277,031	2,415,868	8,692,899
2024	6,359,375	2,405,618	8,764,993
2025	6,369,000	2,424,368	8,793,368
2026	3,247,650	2,430,618	5,678,268
2027	3,263,150	1,824,868	5,088,018
2028	3,383,505	1,922,618	5,306,123
2029	4,089,450	2,030,118	6,119,568
2030	4,020,700	2,051,618	6,072,318
2031	4,174,200	2,134,302	6,308,502
2032	4,339,700	2,244,131	6,583,831
2033	4,496,700	2,370,206	6,866,906
2034	4,670,450	2,491,925	7,162,375
2035	1,345,200	2,624,288	3,969,488
2036	1,400,950	2,725,288	4,126,238
2037	1,457,200	2,828,538	4,285,738
2038	1,513,700	2,948,538	4,462,238
2039	1,575,200	3,059,038	4,634,238
2040	1,641,200	3,180,038	4,821,238
2041	1,703,200	3,312,299	5,015,499
2042	1,775,800	3,442,751	5,218,551
2043	1,843,400	3,581,225	5,424,625
2044	1,916,000	3,732,211	5,648,211
2045	1,988,200	3,880,027	5,868,227
2046	2,074,800	4,029,503	6,104,303
2047	--	5,640,298	5,640,298
2048	--	5,867,375	5,867,375
2049	--	6,100,836	6,100,836
Total	$ 94,492,283	$ 89,928,555	$ 184,420,838

(1) Amounts rounded to the nearest dollar.
Source: Municipal Advisor.

SECURITY FOR THE SERIES B BONDS

The Series B Bonds are general obligation bonds of the District payable solely from amounts in the Debt Service Fund consisting of capitalized interest funded with Series B Bond proceeds and *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of the County, on behalf of the District, is empowered and obligated annually to levy *ad valorem* taxes, without limitation of rate or amount, for the payment of the principal and interest on the Series B Bonds due and payable in the next succeeding bond year (less amounts on deposit in the Debt Service Fund established under the Bond Resolution), upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The Bond Resolution pledges as security for the Series B Bonds outstanding thereunder the proceeds from the levy of the *ad valorem* tax which are collected and allocated to the payment of the Series B Bonds. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS" herein.

The District currently has $51,584,116 principal amount (exclusive of accreted interest) of general obligation bonds outstanding, inclusive of bonds previously issued under the 2016 Authorization (collectively, the "Prior General Obligation Bonds"). Following the issuance of the Series B Bonds, the District will have a total of $101,579,116 principal amount (exclusive of accreted interest) of general obligation bonds outstanding.

The Prior General Obligation Bonds are also payable solely from *ad valorem* property taxes levied on taxable property within the District to repay such bonds. The amount of the annual *ad valorem* tax levied to repay the Series B Bonds and the Prior General Obligation 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 Series B Bonds and the Prior General Obligation Bonds in any year. Fluctuations in the annual debt service on the Series B Bonds and the Prior General Obligation 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 could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. These factors include a general market decline in real property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the federal government, the State of California (the "State") and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, wildfire, flood or toxic contamination.

The assessed valuation of property in the District is $5,126,775,641 for fiscal year 2019-20, an increase of approximately 55.64% from fiscal year 2010-11. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—Historical Data Concerning District Tax Base." While the assessed valuation of property in the District has increased over recent years, future declines in real estate values in southern California, natural disasters, the departure of major taxpayers or other factors could result in lower assessed values in the District and in both a higher annual tax rate within the District and a higher level of delinquencies in tax payments. The County has not adopted the Teeter Plan (defined below). As a result, the District's receipt of property taxes is subject to delinquencies. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—*Ad Valorem* Property Taxation—*No Teeter Plan*."

THE SERIES B BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES B BONDS.

TAX BASE FOR REPAYMENT OF THE SERIES B BONDS

The information in this section describes *ad valorem* property taxation, assessed valuation, and other measures of the tax base of the District. The Series B Bonds are payable solely from *ad valorem* taxes levied and collected by the County on taxable property in the District together with other amounts in the Debt Service Fund. The District's General Fund is not a source for the repayment of the Series B Bonds.

Ad Valorem Property Taxation

The collection of property taxes is significant to the District and the owners of the Series B Bonds in two respects. First, amounts allocated to the District from the general 1% *ad valorem* property tax levy, which is levied in accordance with Article XIIIA of the California Constitution and its implementing legislation, funds the District's budget which is used to operate the District's educational program. See "DISTRICT FINANCIAL MATTERS—Revenue Sources" below. Second, the Board of Supervisors of the County will levy and collect *ad valorem* taxes on all taxable parcels within the District which *ad valorem* taxes are pledged specifically to the repayment of the Series B Bonds and the Prior General Obligation Bonds. All general obligation bonds of the District are issued on parity with one another and with the Series B Bonds. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Series B Bonds and the Prior General Obligation Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in fiscal year 1978-79, Article XIIIA and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of successor agencies to prior redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10%

attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer-Tax Collector of the county levying the tax.

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

District Assessed Valuation. Both the general 1% *ad valorem* property tax levy and the additional *ad valorem* levy for the Series B Bonds and the Prior General Obligation Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or filed in the future will not significantly reduce the assessed valuation of property within the District.

No Teeter Plan. Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies and the County will pay to the District only actual amounts collected.

Historical Data Concerning District Tax Base

The information provided in Tables 1 through 6 below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified this information and does not guarantee its accuracy.

Property within the District has a total assessed valuation for fiscal year 2019-20 of $5,126,775,641. Table 1 below provides the ten-year history of assessed valuations in the District.

Table 1
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Year 2010-11 through 2019-20

	Local Secured	*Utility*	*Unsecured*	*Total*	*% Change*
2010-11	$3,248,419,804	$0	$45,507,111	$3,293,926,915	N/A
2011-12	3,352,172,227	0	44,953,080	3,397,125,307	3.13%
2012-13	3,488,318,055	0	38,522,972	3,526,841,027	3.82
2013-14	3,655,333,794	0	35,702,804	3,691,036,598	4.66
2014-15	3,827,240,022	0	33,783,435	3,861,023,457	4.61
2015-16	4,038,740,733	0	33,529,385	4,072,270,118	5.47
2016-17	4,239,412,499	0	37,586,290	4,276,998,789	5.03
2017-18	4,514,875,537	0	36,394,959	4,551,270,496	6.41
2018-19	4,819,854,506	0	37,229,569	4,857,084,075	6.72
2019-20	5,088,488,587	0	38,287,054	5,126,775,641	5.55

Sources: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Table 2A summarizes the annual secured 1% base property tax levy within the District and the amount delinquent as of June 30 for fiscal years 2014-15 through 2018-19. Table 2B summarizes the secured tax levy made within the District for the District's Prior General Obligation Bonds and the amount delinquent for fiscal years 2014-15 through 2018-19. The County has not adopted the Teeter Plan. As a result, the District's receipt of property taxes is subject to delinquencies and the County will pay to the District only the actual amounts collected. See "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS—*Ad Valorem* Property Taxation—*No Teeter Plan*."

Table 2A
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies for Base Levy

	Secured Tax Charges Levied[(1)]	*Delinquent Secured Taxes*	*% Delinquent June 30*
2014-15	$6,382,669.06	$92,353.64	1.45%
2015-16	6,754,832.21	96,282.10	1.43
2016-17	7,082,831.05	84,521.03	1.19
2017-18	7,588,051.68	94,686.28	1.25
2018-19	8,088,706.39	110,973.87	1.37

(1) 1% base property tax apportionment to the District. Excludes redevelopment agency/successor agency impounds. Reflects County-wide delinquency rate.
Source: California Municipal Statistics, Inc.

Table 2B
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies for Prior General Obligation Bonds

	Secured Tax Charges Levied[1]	*Delinquent Secured Taxes*	*% Delinquent June 30*
2014-15	$3,845,167.70	$40,449.14	1.05%
2015-16	3,954,156.27	34,709.83	0.88
2016-17	4,195,167.53	30,410.85	0.72
2017-18	6,836,761.26	48,019.59	0.70
2018-19	6,920,455.54	68,737.65	0.99

(1) Reflects the debt service levy for the District's Prior General Obligation Bonds.
Source: California Municipal Statistics, Inc.

Tax Rates

There are four tax rate areas in the District. Table 3 summarizes the total *ad valorem* tax rates levied by all taxing entities within the largest tax rate area of the District for fiscal years 2014-15 through 2018-19 expressed as a percentage of the assessed value of the property upon which such taxes were levied. Information for fiscal year 2019-20 is not yet available.

Table 3
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Summary of *Ad Valorem* Tax Rates
Typical Total Tax Rates (TRA 9030)[1]

	2014-15	***2015-16***	***2016-17***	***2017-18***	***2018-19***
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
South Pasadena Unified School District	.100565	.098104	.099292	.151361	.143833
Pasadena Area Community College District	.010315	.008722	.008850	.008186	.007674
Metropolitan Water District	.003500	.003500	.003500	.003500	.003500
Total	1.114380%	1.110326%	1.111642%	1.163047%	1.155007%

(1) Fiscal Year 2019-20 assessed value of TRA 9030 is $4,339,808,921, which is 89.35% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

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Largest Taxpayers

Table 4 below lists the 20 largest secured property taxpayers within the District measured by local secured assessed valuation for the fiscal year ending June 30, 2020.

Table 4
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Twenty Largest Fiscal Year 2019-20 Local Secured Property Taxpayers

	Property Owner	*Primary Land Use*	*2019-20 Assessed Valuation*	*% of Total*[1]
1.	625 Fair Oaks LLC	Office Building	$ 21,547,826	0.42%
2.	WF Property Holdings LP	Apartments	16,539,729	0.33
3.	Gelt Storage 919 Mission LLC	Industrial	16,500,000	0.32
4.	NNC Apartment Ventures LLC	Apartments	13,959,651	0.27
5.	Dc El Centro Holdings LLC	Office Building	13,500,000	0.27
6.	Jerry B. and Roberta L. Furrey, Trustees	Apartments	12,882,672	0.25
7.	LDW Pico Properties LLC	Office Building	12,343,970	0.24
8.	Casa De General LLC	Apartments	12,204,104	0.24
9.	99 Pasadena Avenue LLC	Office Building	12,055,877	0.24
10.	829 Croft at Melrose Place LLC	Apartments	11,444,400	0.22
11.	Tredco LLC	Apartments	11,006,180	0.22
12	Carole Walker Trust	Industrial	10,911,960	0.21
13.	Golden Oaks Investment LP	Apartments	10,568,304	0.21
14.	Cal Empire LP	Commercial	10,146,905	0.20
15.	Axtell Group LLC	Apartments	9,886,430	0.19
16.	Richard Wagner	Commercial	9,390,912	0.18
17.	H P III Ltd.	Apartments	8,833,332	0.17
18.	Kan Investment Ltd. LLC	Apartments	8,356,035	0.16
19.	Hilbert Properties II	Apartments	8,314,516	0.16
20.	Amberwood South Pasadena	Apartments	7,816,350	0.15
			$ 238,209,153	4.68%

[1] Calculated as a percentage of total District-wide Fiscal Year 2019-20 local secured assessed valuation of $5,088,488,587.
Source: California Municipal Statistics, Inc.

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Land Use within the District

Table 5 describes the District's land use by type in fiscal year 2019-20, which reflects that 92.09% of the total local secured assessed valuation is for residential property and 7.91% for non-residential property.

Table 5
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use

	2019-20 Assessed Valuation[(1)]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Commercial	$ 329,722,720	6.48%	261	3.64%
Vacant Commercial	4,417,230	0.09	13	0.18
Industrial	41,589,696	0.82	26	0.36
Vacant Industrial	4,246,436	0.08	6	0.08
Recreational	3,978,277	0.08	8	0.11
Government/Social/Institutional	11,466,786	0.23	151	2.11
Miscellaneous	7,318,525	0.14	21	0.29
Subtotal Non-Residential	$ 402,739,670	7.91%	486	6.78%
Residential:				
Single Family Residence	$ 3,294,869,236	64.75%	4,621	64.46%
Condominium/Townhouse	465,451,549	9.15	875	12.21
2-4 Residential Units	374,818,569	7.37	620	8.65
5+ Residential Units/Apartments	519,664,144	10.21	327	4.56
Vacant Residential	30,945,419	0.61	240	3.35
Subtotal Residential	$ 4,685,748,917	92.09%	6,683	93.22%
Total	$ 5,088,488,587	100.00%	7,169	100.00%

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

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Assessed Valuation Per Parcel of Single Family Homes

Table 6 below shows the number of parcels with single family homes within certain ranges of assessed valuation in the District for fiscal year 2019-20.

Table 6
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Assessed Valuation per Parcel of Single Family Homes
Fiscal Year 2019-20

	No. of Parcels	*2019-20 Assessed Valuation*	*Average Assessed Valuation*	*Median Assessed Valuation*
Single Family Residential	4,621	$3,294,869,236	$713,021	$571,946

2019-20 Assessed Valuation	*No. of Parcels*[(1)]	*% of Total*	*Cumulative % of Total*	*Total Valuation*	*% of Total*	*Cumulative % of Total*
$0 - $99,999	334	7.228%	7.228%	$ 24,657,190	0.748%	0.748%
$100,000 - $199,999	559	12.097	19.325	83,599,453	2.537	3.286
$200,000 - $299,999	370	8.007	27.332	92,109,911	2.796	6.081
$300,000 - $399,999	372	8.050	35.382	131,121,340	3.980	10.061
$400,000 - $499,999	391	8.461	43.843	176,809,069	5.366	15.427
$500,000 - $599,999	377	8.158	52.002	206,336,251	6.262	21.689
$600,000 - $699,999	291	6.297	58.299	187,643,349	5.695	27.384
$700,000 - $799,999	288	6.232	64.531	215,947,160	6.554	33.938
$800,000 - $899,999	263	5.691	70.223	223,020,117	6.769	40.707
$900,000 - $999,999	242	5.237	75.460	230,165,348	6.986	47.693
$1,000,000 - $1,099,999	221	4.783	80.242	232,146,011	7.046	54.738
$1,100,000 - $1,199,999	156	3.376	83.618	178,560,717	5.419	60.158
$1,200,000 - $1,299,999	126	2.727	86.345	157,287,501	4.774	64.931
$1,300,000 - $1,399,999	128	2.770	89.115	172,934,191	5.249	70.180
$1,400,000 - $1,499,999	106	2.294	91.409	153,518,017	4.659	74.839
$1,500,000 - $1,599,999	70	1.515	92.924	107,877,633	3.274	78.113
$1,600,000 - $1,699,999	54	1.169	94.092	88,909,103	2.698	80.812
$1,700,000 - $1,799,999	51	1.104	95.196	88,808,719	2.695	83.507
$1,800,000 - $1,899,999	39	0.844	96.040	72,216,862	2.192	85.699
$1,900,000 - $1,999,999	30	0.649	96.689	58,067,203	1.762	87.461
$2,000,000 and greater	153	3.311	100.000	413,134,091	12.539	100.000
Total	4,621	100.000%		$ 3,294,869,236	100.000%	

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

THE DISTRICT

Introduction

The District was established in 1886 and is located in a three square mile area between the cities of Los Angeles, San Marino, Alhambra and Pasadena in the County, 10 miles northeast of the City of Los Angeles. The District boundaries are coterminous with the boundaries of the City of South Pasadena. The District operates three elementary schools, one middle school, one high school, a district office and a maintenance office. The total enrollment in the District during fiscal year 2019-20 is budgeted to be 4,770 students. The District's pupil/teacher ratio for fiscal year 2019-20 is approximately 24:1 for grade levels K through 8 and 32:1 for grade levels 9 through 12.

Board of Education

The District is governed by a five member Board of Education. Members are elected to four year terms.

Table 7
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Board of Education

Name	*Term Expires*
Jon Primuth, Member	2020
Dr. Suzie Abajian, President	2020
Zahir Robb, Member	2022
Dr. Ruby Kalra, Member	2022
Dr. Michele Kipke, Clerk	2022

Source: The District.

Superintendent and Administrative Personnel

The Superintendent of the District, appointed by the Board of Education, is responsible for management of the day-to-day operations and supervises the work of other District administrators. The names and backgrounds of the Superintendent and the senior administrative staff are set forth below.

Geoff Yantz, Ed.D., Superintendent. Dr. Geoff Yantz has served as Superintendent of Schools for the District since March 2014. Prior to his current position, Dr. Yantz served as Superintendent of Schools for El Segundo Unified School District from 2007 to 2014. He has also served as an assistant superintendent, principal, assistant principal and teacher. During this time Dr. Yantz has received numerous awards and recognition for his accomplishments. Dr. Yantz has served in the field of education for 26 years. His educational experience includes: Bachelor of Arts from University California at Santa Barbara, Master of Arts from California State University Dominguez Hills, Master of Science from Pepperdine University and Doctorate of Education from Pepperdine University.

David Lubs, Assistant Superintendent of Business Services. Mr. David Lubs has served as Assistant Superintendent of Business Services for the District since September 2014. Prior to his current position, Mr. Lubs served as Assistant Superintendent of Human Resources and Maintenance for El Segundo Unified School District for 6 years. He had previously served as a high school teacher and middle school administrator for 13 years. He earned his Bachelor of Arts in Political Science from the University of California, San Diego, and his Master of Business Administration from the University of California, Los Angeles.

Dana Smith, Fiscal Services Director. Ms. Dana Smith has worked for the District since May 2014. Prior to assuming her current position, Ms. Smith served Los Angeles County schools for 16 years in the fields of accounting and auditing. In addition, she served as an Audit Supervisor for the Office of the Inspector General for Los Angeles Unified School District. Ms. Smith earned her Bachelor of Science and Master of Business Administration at the University of La Verne.

Employee Relations

In the fall of 1974, the State Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers of the District (certificated personnel) are represented by the Teachers Association of South Pasadena. The District and the certificated personnel are currently operating under a contract that expires on June 30, 2021. The District and the certificated personnel have agreed to a one-time increase in salary and benefits for fiscal year 2019-20 of 1.54% and an on-going increase of 1.00% thereafter. Though this increase was not accounted for in the District's 2019-20 Adopted Budget, the District expects to reduce other expenditures in fiscal year 2019-20 to off-set the increase in salaries and benefits.

As of June 30, 2019, the District employed 238 certificated employees with a total estimated annual payroll of $18,954,096. Table 8 below sets forth the number of certificated employees for each of the last five fiscal years.

Table 8
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Certificated Employees

Fiscal Year	*Total Number of Employees*
2014-15	246
2015-16	245
2016-17	243
2017-18	235
2018-19	238

Source: The District.

The California School Employees Association is the exclusive bargaining agent for non-teaching (classified) personnel. The District and the classified employees are currently operating under a contract that expires on June 30, 2021. The District and the classified personnel have agreed to an on-going increase in salary and benefits of 1.00% beginning in fiscal year 2019-20. Though this increase was not accounted for in the District's 2019-20 Adopted Budget, the District expects to reduce other expenditures in fiscal year 2019-20 to off-set the increase in salaries and benefits.

As of June 30, 2019, the District employed 175 classified employees with a total estimated annual payroll of $6,332,629. Table 9 below sets forth the number of classified employees for each of the last five fiscal years.

Table 9
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Classified Employees

Fiscal Year	*Total Number of Employees*
2014-15	166
2015-16	169
2016-17	167
2017-18	170
2018-19	175

Source: The District.

Retirement System

This section contains certain information relating to the Public Employees' Retirement System ("PERS") and the State Teachers' Retirement System ("STRS"). The information is primarily derived from information produced by PERS and STRS, their independent accountants and their actuaries. Neither the District nor the Underwriter has independently verified the information provided by PERS and STRS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS and STRS.

The comprehensive annual financial reports of PERS and STRS are available on their websites at www.calpers.ca.gov and www.calstrs.ca.gov, respectively. The PERS and STRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. The information on these websites is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

District Contributions to STRS and PERS and Net Pension Liability. District employees are members of two retirement systems, as described below. Certificated personnel are generally members of STRS and classified personnel are generally members of PERS.

The District's contribution to STRS was $3,297,125 in fiscal year 2017-18 and estimates that such contribution was $3,775,804 in fiscal year 2018-19. The District has budgeted $3,880,401 as its contribution to STRS in fiscal year 2019-20.

The District's contribution to PERS was $997,493 in fiscal year 2017-18 and estimates that such contribution was $1,078,609 in fiscal year 2018-19. The District has budgeted $1,259,232 as its contribution in fiscal year 2019-20. For additional information regarding the District's participation in STRS and PERS, see Note 10 to the District's Audited Financial Statements for fiscal year 2017-18 attached as Appendix B hereto.

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were typically included as notes to the government's financial statements); 2) more components of full pension costs being shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB Statement No. 68, for pensions within the scope of Statement No. 68, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. In November 2013, GASB issued Statement No. 71 which addressed an issue in the transition provisions of GASB No. 68.

The reporting requirements under GASB No. 68 for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014. As a result of implementing GASB No. 68 the District restated the beginning net position in its government-wide Statement of Net Position, effectively decreasing the net position as of June 30, 2015 by $7,553,335.

The District's proportionate shares of the net pension liabilities, pension expense and deferred inflow of resources for STRS and PERS and a deferred outflow of resources for STRS and PERS, as of June 30, 2018, are as shown in the following table:

Pension Plan	*Collective Net Pension Liability*	*Collective Deferred Outflow of Resources*	*Collective Deferred Inflow of Resources*	*Collective Pension Expense*
STRS	$40,010,982	$10,857,590	$3,562,516	$3,696,648
PERS	13,088,924	4,168,797	290,259	1,656,311
Total	$53,099,906	$15,026,387	$3,852,775	$5,352,959

Source: The District.

For additional information regarding the District's participation in STRS and PERS, see Notes 7.E and 10 to the District's Audited Financial Statements for fiscal year 2017-18 attached as Appendix B hereto.

The District can make no representations regarding the future program liabilities of STRS or PERS, or whether the District will be required to make additional contributions to STRS and PERS in the future above those amounts currently projected as described below.

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer or State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. Under this approach, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses in certain years, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205
July 1, 2017	10.250	9.205
July 1, 2018	10.250	10.205
July 1, 2019	10.250	10.205

Source: AB 1469.

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

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

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

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

Source: AB 1469.

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

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the State's 2019-20 Budget (defined below). Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See "STATE OF CALIFORNIA FISCAL ISSUES—2019-20 State Budget."

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

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

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

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19, and is 19.721% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which was 7% of their respective salaries in fiscal year 2018-19 and is 7% in fiscal year 2019-20, while participants enrolled after

January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See "STATE OF CALIFORNIA FISCAL ISSUES—2019-20 State Budget."

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2013-14 through 2017-18

	STRS				
Fiscal Year	***Accrued Liability***	***Market Value of Trust Assets (MVA)[2]***	***Unfunded Liability (MVA)[3]***	***Value of Trust Assets (AVA)[4]***	***Unfunded Liability (AVA)[4][5]***
2013-14	$231,213	$179,749	$61,807	$158,495	$72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

	PERS (Schools Pool)				
Fiscal Year	***Accrued Liability***	***Market Value of Trust Assets (MVA)[2]***	***Unfunded Liability (MVA)[3]***	***Value of Trust Assets (AVA)[4]***	***Unfunded Liability (AVA)[4]***
2013-14	$65,600	$56,838	$8,761	--[6]	--[6]
2014-15	73,325	56,814	16,511	--[6]	--[6]
2015-16	77,544	55,785	21,759	--[6]	--[6]
2016-17	84,416	60,865	23,551	--[6]	--[6]
2017-18	92,071	64,846	27,225	--[6]	--[6]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Unfunded Liability (MVA) is equal to the Accrued Liability column minus the Value of Trust Assets (MVA) column minus the amount deposited in the Supplemental Benefits Maintenance Account reserve, which is not available to provide benefits under the STRS Defined Benefit Program.
(4) Based on actuarial value of assets.
(5) Unfunded Liability (AVA) is equal to the Accrued Liability column minus the Value of Trust Assets (AVA) column.
(6) Figures not provided. Effective with the June 30, 2014 valuation, PERS no longer uses an actuarial value of assets.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

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

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

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. According to PERS, the three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

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

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

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

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

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the employer contribution rate for 2020-21 was projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26. Based on an additional contribution to PERS in the State's 2019-20 Budget, the employer rate for fiscal year 2019-20 is reduced to 19.7% and for 2020-21 is projected at 22.9%. See "STATE OF CALIFORNIA FISCAL ISSUES—2019-20 State Budget."

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Post-employment Benefits

The District provides a single-employer defined post-employment benefit (the "OPEB") plan offering medical benefits for eligible retirees who retire from the District on or after attaining the age of 55 with at least 10 years of service. As of June 30, 2018 in the OPEB plan consisted of 110 retirees and beneficiaries receiving benefits and 389 active members. The District recognizes these post-employment health care benefits on a pay-as-you-go basis. The District incurred $466,625 of such expenditures during fiscal year 2016-17 and $460,507 during fiscal year 2017-18.

In June 2015, GASB issued Statement 75, which replaced the requirements under the GASB Statement 45, which was previously used to report the District's post-employment benefits. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Statement 75 also improves information provided by state and local governmental employers about financial support for other post-employment benefit plans that is provided by other entities. Statement 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, Statement 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Statement 75 requires the recognition of the total OPEB liability in the Statement of Net Position.

The District's most recent actuarial valuation report for the District OPEB Plan, dated February 26, 2019 (the "Valuation Report"), reflects the application of GASB Statement 75. Based on such actuarial valuation report, the total liability for the District OPEB Plan was $15,377,705 as of the June 30, 2018 measurement date. This amount represented the present value of all benefits projected to be paid by the District for current and future retirees. The Valuation Report further estimates that the District's OPEB expense for fiscal year 2018-19 was $1,706,785.

The District recognizes the post-employment health care benefits on a pay-as-you-go basis. The most recent actuarial valuation report for the District OPEB Plan did not provide an actuarially determined contribution for the District OPEB Plan (i.e. a contribution amount that is projected to fully fund the District OPEB Plan over a period of amortization). The District contributed $449,606 to the District OPEB Plan in fiscal year 2017-18. The changes in net District OPEB Plan liability as of June 30, 2018, are shown in the following table:

Total District OPEB Plan Liability	***June 30, 2018***
Service Cost	$ 1,160,782
Interest on Total OPEB Liability	482,348
Benefits Payments	(449,606)
Net Change in OPEB Liability	**1,193,524**
Total OPEB Liability, Beginning	**13,441,750**
Total OPEB Liability, Ending	**$14,635,274**

Source: District Audited Financial Statements for fiscal year 2017-18.

See Note 9 to the District's June 30, 2018 Financial Statements set forth in Appendix B hereto. In order to record the District's total OPEB liability in accordance with GASB Statement 75, the beginning net position of the District's Total Governmental Activities was restated to reduce the District's net position by $9,009,792. See Note 14 to Appendix B hereto.

The District has created a Retiree Benefits Fund into which it can voluntarily contribute money to pay-down its OPEB liability.

Insurance

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District obtains property, liability and workers' compensation insurance coverage from the Alliance of Schools Cooperative Insurance Program (ASCIP), which arranges for and provides such insurance for its member districts. The District pays premiums commensurate with the level of coverage requested through ASCIP. The School's Excess Liability Fund (SELF) provides excess insurance to the District for claims up to $55,000,000. Settled claims have not exceeded commercial coverage in any of the last three years. There has not been any significant reduction in coverage in the last year.

ASCIP is established pursuant to the provisions of the California Government Code and has local school districts as participants. Each participating district has one vote for their representative on the board of directors. The ASCIP board controls its operation, including selection of management, and approval of operating budgets, independent of any influence of the member districts beyond their representation on the board. The relationship between the District and ASCIP is such that ASCIP is not a component unit of the District for financial reporting purposes. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in ASCIP.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the District has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the District's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the District. Additionally, the District carries cybersecurity insurance through ASCIP that provides coverage for between $500,000 and $5,000,000 per occurrence based on the type of claim, subject to a $5,000 deductible.

DISTRICT FINANCIAL MATTERS

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles and are in accordance with the 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 State school districts.

The District generally adopts the Government Accounting Standards Board Statements for its financial reporting. Changes to the GASB Statements can result in changes in accounting principles which impact the District's financial reporting and results. See Notes 1.J and 14 to the District's June 30, 2018 Financial Statements set forth in Appendix B hereto.

District Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent of Schools (the "County Superintendent") within five days of adoption or by July 1, whichever occurs first. The budget is only readopted if it is disapproved by the County Superintendent, or as needed.

Upon receipt of an adopted budget, the County Superintendent will (a) examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, (b) determine if the adopted budget allows the district to meet its current obligations, (c) determine if the adopted budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, (d) determine whether the adopted budget includes the expenditures necessary to implement the local control and accountability plan or annual update thereto, and (e) determine whether the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. On or before September 15, the County Superintendent will approve, conditionally approve or disapprove the adopted budget for each school district.

If the County Superintendent determines that the adopted budget does not satisfy one or more of the requirements set forth in the preceding paragraph, the County Superintendent shall transmit recommendations regarding revisions to the adopted budget to the school district and the reasons therefor. The County Superintendent may assign a fiscal adviser to assist the school district to develop a budget in compliance with those revisions. In addition, the County Superintendent may appoint a committee to examine and comment on the review and recommendations, subject to the requirement that the committee report its findings to the County Superintendent no later than September 20.

If the adopted budget of a school district is conditionally approved or disapproved by the County Superintendent, on or before October 8, the governing board of the school district, in conjunction with the County Superintendent, shall review and respond to the recommendations of the County Superintendent at a regular meeting of the governing board of the school district. The response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.

No later than October 22, the County Superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget has been disapproved.

Upon receipt of a revised budget, the County Superintendent must determine whether the revised budget conforms to the standards and criteria applicable to final district budgets. If the revised budget is disapproved, the County Superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1, unless the governing board of the school district and the County Superintendent agree to waive the requirement that a budget review committee be formed and the department approves the waiver after determining that a budget review committee is not necessary.

If a budget review committee is appointed and recommends approval of the adopted budget, the County Superintendent shall accept the recommendation of the committee and approve the adopted budget.

If the budget review committee disapproves the adopted budget, the governing board of the school district, not later than five working days after the receipt of the report from the budget review committee, may submit a response to the Superintendent, including any revisions to the adopted budget and any other proposed actions to be taken as a result of the budget review committee's recommendations. Based upon these recommendations and any response thereto provided by the governing board of the school district, the Superintendent shall either approve or disapprove the revised budget. If the Superintendent disapproves the budget, he or she shall notify the governing board of the school district in writing of the reasons for that disapproval and, until the County Superintendent certifies the school district's First Interim Financial Report (as described below), the County Superintendent shall undertake the actions set forth in Section 42127.3.

Upon the grant of a waiver from the requirement to form a budget review committee, the County Superintendent immediately has the authority and responsibility provided in Section 42127.3. Upon approving a waiver of the budget review committee, the department shall ensure that a balanced budget is adopted for the school district by December 31. If no budget is adopted by December 31, the Superintendent may adopt a budget for the school district. The Superintendent shall report to the State Legislature and the Director of Finance by January 10 if any school district, including a school district that has received a waiver of the budget review committee process, does not have an adopted budget by December 31. This report shall include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, the date the adopted budget is anticipated, and whether the Superintendent has or will exercise his or her authority to adopt a budget for the school district.

Not later than November 8, the County Superintendent shall submit a report to the State Superintendent identifying all school district for which budgets have been disapproved or budget review committees waived.

Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

After approving the districts' budgets, the County Superintendent will monitor, throughout the fiscal year, each school district under his or her jurisdiction pursuant to its adopted budget to determine on a continuing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent may 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 must so notify the State Superintendent, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, also after consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At a minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31 and a Second Interim Financial Report by March 15 covering financial operations from November 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education. The District has not received a qualified or negative certification on its interim reports within the past five years.

Pursuant to State law, the District adopted its fiscal year 2019-20 budget (the "2019-20 Adopted Budget") on June 25, 2019, which set forth revenues and expenditures such that appropriations during fiscal year 2019-20 were not projected to exceed the sum of revenues plus the July 1, 2019 beginning fund balance. See "DISTRICT FINANCIAL MATTERS—Current Financial Condition" below.

State Funding of Education

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

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

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

The primary component of AB 97 is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment will be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of the grade span adjustment in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this grade span adjustment goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The District does not qualify for a Concentration Grant.

Table 10 below shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2015-16 through 2019-20.

TABLE 10
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
ADA, Enrollment and EL/LI Enrollment Percentage
Fiscal Years 2015-16 through 2019-20
South Pasadena Unified School District

	Average Daily Attendance(1)					*Enrollment*	
Fiscal Year	***K-3***	***4-6***	***7-8***	***9-12***	***Total ADA***	***Total Enrollment***(2)	***% of EL/LI Enrollment***(2)
2015-16	1,354.07	1,036.16	721.53	1,504.74	4,616.50	4,734	19%
2016-17	1,383.16	1,067.84	769.09	1,449.11	4,669.22	4,780	19
2017-18	1,383.16	1,067.84	769.09	1,449.11	4,669.22	4,779	19
2018-19	1,369.41	1,114.91	747.74	1,404.98	4,637.04	4,770	22
2019-20	1,369.41	1,114.91	747.74	1,404.98	4,637.04	4,770	22

(1) Reflects P-2 ADA. Because P-2 ADA for fiscal year 2019-20 will not be released until April 2020, Average Daily Attendance for fiscal year 2019-20 is based on prior fiscal year. Includes District's share of ADA in County funded charter schools.
(2) As of October report submitted to the California Basic Educational Data System (CBEDS). For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Enrollment for fiscal year 2019-20 is based on prior fiscal year
Source: The District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not believe that it will qualify for the ERT add-on for fiscal year 2019-20.

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

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

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

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP. The District has adopted its LCAP for fiscal year 2019-20.

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

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

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

Other Sources. The federal government provides funding for several school district programs, including specialized programs such as Every Student Succeeds, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, a small part of a school district's budget is from local sources other than property taxes, including but not limited to interest income, leases and rentals, educational foundations, donations and sales of property.

Historical General Fund Financial Information

Table 11 below summarizes the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2013-14 through 2017-18. The figures in Table 11 below are taken from the District's audited financial statements. See APPENDIX B—"DISTRICT'S 2017-18 AUDITED FINANCIAL STATEMENTS" for further detail on the District's financial condition as of June 30, 2018.

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Table 11
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance

	Audited 2013-14	*Audited 2014-15*	*Audited 2015-16*	*Audited 2016-17*	*Audited 2017-18*
REVENUES					
LCFF Sources	$ 28,776,118	$ 31,616,280	$ 35,108,183	$ 37,243,672	$ 38,061,161
Federal Sources	1,233,631	1,279,228	1,218,601	1,373,228	1,309,270
Other State Sources	3,993,286	3,548,080	6,091,912	4,493,265	4,666,389
Other Local Sources	6,553,376	6,546,065	7,176,707	6,931,193	6,732,474
Total Revenues	$ 40,556,411	$ 42,989,653	$ 49,595,403	$ 50,041,358	$ 50,769,294
EXPENDITURES					
Current					
Instruction	$ 27,505,872	$ 28,636,799	$ 32,133,686	$ 32,715,123	$ 33,804,151
Instruction-Related Services	4,117,563	4,545,262	5,144,095	5,372,857	5,371,402
Pupil Services:	2,280,643	2,558,251	3,044,072	3,230,627	3,153,417
General Administration:	2,390,641	2,576,212	2,635,780	2,732,649	3,008,285
Plant Services	3,904,037	4,563,539	4,663,697	4,451,843	4,991,986
Facilities Acquisition and Maintenance	320,352	153,426	244,453	488,590	64,863
Ancillary Services	395,568	440,012	468,306	473,646	479,106
Community Services	75,116	25,787	31,443	27,840	19,912
Transfers to Other Agencies	338,921	4,702	272,547	394,705	444,127
Debt Service	-	304,471	-	-	-
Total Expenditures	$ 41,328,713	$ 43,799,461	$ 48,640,487	$ 49,887,880	$ 51,337,249
Excess (Deficiency) of Revenues Over Expenditures	$ (772,302)	$ (809,808)	$ 954,916	$ 153,478	$ (567,955)
Other Financing Sources (Uses)					
Transfers In/Out	$ -	$ (739,535)[1]	$ (1,100,000)[2]	$ -	$ -
Net Financing Sources (Uses)	$ -	$ (739,535)	$ (1,100,000)	-	-
NET CHANGE IN FUND BALANCE	$ (772,302)	$ (1,549,343)	$ (145,084)	$ 153,478	$ (567,955)
Fund Balance – Beginning	9,734,459	8,962,157	7,412,814	7,267,730	7,421,208
Fund Balance – Ending	$ 8,962,157	$ 7,412,814	$ 7,267,730	$ 7,421,208	$ 6,853,253

(1) Represents the transfer of one time monies to the Retiree Benefits Fund.
(2) Represents the transfer of one time monies in the amount of $1,000,000 to the Facilities Fund and the transfer of one time monies in the amount of $100,000 to the Retiree Benefits Fund.
Source: South Pasadena Unified School District Audited Financial Statements for fiscal years 2013-14 through 2017-18.

Table 12 below compares the District's final General Fund Adopted Budget to its General Fund actual revenues and expenditures (Budgetary Basis) for fiscal year 2016-17 and its final General Fund Adopted Budget to its General Fund actual revenues and expenditures (Budgetary Basis) for fiscal year 2017-18.

Table 12
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Comparison of General Fund Budgeted to General Fund Revenues and Expenditures for fiscal years 2016-17 and 2017-18

	2016-17		*2017-18*	
	Budget	*Actual*[(1)]	*Budget*	*Actual*[(1)]
REVENUES				
LCFF Sources	$ 36,722,537	$ 37,243,672	$ 38,234,000	$ 38,061,161
Federal Sources	1,277,440	1,373,228	1,380,434	1,309,270
Other State Sources	2,697,158	3,112,708	2,600,460	2,741,498
Other Local Sources	5,566,758	6,931,193	5,826,163	6,732,474
Total Revenues	$ 46,263,893	$ 48,660,801	$ 48,041,057	$ 48,844,403
EXPENDITURES				
Certificated Salaries	$ 23,710,125	$ 23,537,537	$ 23,195,740	$ 23,201,887
Classified Salaries	6,463,866	6,268,714	6,255,847	6,352,556
Employee Benefits	10,012,530	10,185,292	10,622,372	10,522,391
Books and Supplies	1,667,618	1,723,178	2,371,509	2,725,550
Services and Other Operating Expenditures	4,877,476	5,935,213	6,307,818	6,145,949
Capital Outlay	269,327	539,248	524,161	85,719
Other Outgo				
Excluding Transfers of Indirect Costs	327,441	394,705	327,441	444,127
Transfers of Indirect Costs	(88,569)	(76,564)	(63,821)	(65,821)
Total Expenditures	$ 47,239,814	$ 48,507,323	$ 49,541,067	$ 49,412,358
Excess (Deficiency) of Revenues Over Expenditures	$ (975,921)	$ 153,478	$ (1,500,010)	$ (567,955)
Other Financing Sources (Uses)				
Transfers In	$ -	$ -	$ 104,000	$ -
Transfers Out	(100,000)	-	-	-
Net Financing Sources (Uses)	$ (100,000)	$ -	$ 104,000	$ -
NET CHANGE IN FUND BALANCE	$ (1,075,921)	$ 153,478	$ (1,396,010)	$ (567,955)
Fund Balance – Beginning	7,267,730	7,267,730	7,421,208	7,421,208
Fund Balances – Ending	$ 6,191,809	$ 7,421,208	$ 6,025,198	$ 6,853,253

(1) The actual amounts listed for revenues and expenses do not agree with the audited amounts in Table 11 in that on behalf of payments of $1,380,557 in fiscal year 2016-17 and $1,924,891 in fiscal year 2017-18 are not included in this table.

Source: South Pasadena Unified School District adopted budget for fiscal years 2016-17 and 2017-18 and Audited Financial Statements for fiscal years 2016-17 and 2017-18.

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Table 13 below sets forth the District's General Fund balance sheet for the 2013-14 through 2017-18 fiscal years.

Table 13
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Summary of Combined General Fund Balance Sheet

	Audited 2013-14	*Audited 2014-15*	*Audited 2015-16*	*Audited 2016-17*	*Audited 2017-18*
ASSETS					
Cash and Cash Equivalents	$ 6,351,431	$ 8,489,330	$ 8,997,045	$ 8,811,042	$ 8,670,574
Accounts Receivable	5,466,927	1,556,620	1,561,358	1,688,709	1,176,138
Stores Inventory	-	-	-	-	-
Total Assets	$ 11,976,679	$ 10,045,950	$ 10,558,403	$ 10,499,751	$ 9,846,712
LIABILITIES					
Accrued Liabilities	$ 2,992,260	$ 2,612,644	$ 3,020,894	$ 3,002,587	$ 2,756,373
Deferred Revenue	22,262	20,492	269,779	75,956	237,086
Total Liabilities	$ 3,014,522	$ 2,633,136	$ 3,290,673	$ 3,078,543	$ 2,993,459
FUND BALANCES					
Nonspendable	$ 15,250	$ 15,250	$ 15,250	$ 15,250	$ 15,250
Restricted	1,939,763	1,859,146	3,042,751	3,488,431	2,864,250
Committed	-	-	-	300,000	-
Assigned	-	-	640,000	-	-
Unassigned	7,007,144	5,538,418	3,569,729	3,617,527	3,973,753
Total Fund Balances	$ 8,962,157	$ 7,412,814	$ 7,267,730	$ 7,421,208	$ 6,853,253
Total Liabilities and Fund Balances	$ 11,976,679	$ 10,045,950	$ 10,558,403	$ 10,499,751	$ 9,846,714

Source: South Pasadena Unified School District Audited Financial Statements for fiscal years 2013-14 through 2017-18.

Current Financial Condition

The District's financial condition is closely linked to the finances of the State. Until fiscal year 2012-13, the State had experienced an ongoing structural budget deficit for several years. Although the State budget is balanced in the current fiscal year, future budget decisions by the State could have an adverse impact on the District's financial condition. See "STATE OF CALIFORNIA FISCAL ISSUES."

Table 14 below contains the difference between the District's adopted General Fund budget for fiscal year 2018-19 and the District's unaudited actual General Fund results for fiscal year 2018-19, as stated in the District's fiscal year 2018-19 Unaudited Financial Statements (the "2018-19 Unaudited Actuals"). Table 14 also contains the District's 2019-20 Adopted Budget.

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Table 14
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Comparison of 2018-19 Adopted General Fund Budget to Unaudited Actual Results for Fiscal Year 2017-18; 2019-20 Adopted Budget

	Fiscal Year 2018-19 Adopted Budget	*Fiscal Year 2018-19 Unaudited Actuals*	*% Difference Between 2018-19 Budget and 2018-19 Unaudited Actuals*	*Fiscal Year 2019-20 Adopted Budget*
REVENUES				
LCFF Sources	$ 40,426,021	$ 40,650,596	0.6%	$ 41,902,700
Federal Revenue	1,295,977	1,376,574	6.2	1,314,234
Other State Revenue	3,222,847	2,856,261	(11.4)	1,680,618
Other Local Revenue	5,744,288	7,121,309	24.0	5,936,883
Total Revenues	$ 50,689,133	$ 52,004,739	2.6%	$ 50,834,435
EXPENDITURES				
Certificated Salaries	$ 23,361,650	$ 23,575,692	1.0%	$ 23,865,446
Classified Salaries	6,198,615	6,421,601	3.6	6,467,459
Employee Benefits	11,340,470	11,626,706	2.5	11,843,552
Books and Supplies	1,923,641	1,621,492	(15.7)	1,873,476
Services and Other Operating Expenditures	6,240,587	7,064,547	13.2	7,189,881
Capital Outlay	50,000	47,817	(4.4)	85,365
Other Outgo (excluding Transfers of Indirect Costs)	344,644	498,703	44.7	344,644
Other Outgo – Transfers of Indirect Costs	(63,821)	(74,709)	17.1	(63,821)
Total Expenditures	$ 49,395,786	$ 50,781,849	2.8%	$ 51,606,002
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	$ 1,293,347	$ 1,222,890		$ (771,567)
OTHER FINANCING SOURCES/USES				
Interfund Transfers	$ (100,000)	$ 0		$ (100,000)
Sources/Uses	0	0		0
Total Other Financing Sources/Uses	$ (100,000)	$ 0		$ (100,00)
Net Increase (Decrease) in Fund Balance	$ 1,193,347	$ 1,222,890		$ (871,567)
FUND BALANCE, RESERVES				
Beginning Fund Balance, July 1 – Unaudited	$ 6,255,397	$ 6,853,253		$ 6,790,692
Ending Balance, June 30	$ 7,448,744	$ 8,076,143		$ 5,919,125

Source: South Pasadena Unified School District Annual Budget Report for fiscal year 2018-19, 2018-19 Unaudited Actuals, and 2019-20 Adopted Budget.

In its multi-year projections in the 2019-20 Adopted Budget, the District projects that General Fund expenditures will exceed revenues by $871,567 and $506,073 in fiscal years 2019-20 and 2020-21, respectively, and projects that General Fund revenues will exceed expenditures by $512,277 in fiscal year 2021-22. In the aggregate, the District projects that General Fund expenditures will exceed revenues by approximately $860,000 through June 30, 2022 leaving a projected General Fund balance of $4,294,097 as of that date. The 2019-20 Adopted Budget projects no ADA growth through fiscal year 2021-22. These multi-year projections do not include any amount for increases in salaries and benefits for the District's labor groups that began in fiscal year 2019-20. See "THE DISTRICT—Employee Relations." Such increases could result in a smaller General Fund ending balance than is currently projected. If required, the District has a variety of cost-cutting measures that it believes it can implement in order to reduce General Fund expenses in future fiscal years, including reducing contributions to the textbook fund, retiree benefits and deferred maintenance accounts.

State law requires the District to maintain a reserve for economic uncertainty equal to at least 3% of General Fund expenditures and other financing uses. The District is also required to demonstrate that available reserves for each of the next two fiscal years will equal or exceed the required amount. In the 2019-20 Adopted Budget, the District projects available reserves of 7.09% in fiscal year 2019-20, 6.83% in fiscal year

2020-21 and 8.11% in fiscal year 2021-22. Under SB 858 (as defined below), the District's future reserves may be capped at 6% of annual expenditures in certain fiscal years. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2" and "STATE OF CALIFORNIA FISCAL ISSUES—General Overview—*School Reserves*." As the reserve cap provisions of SB 858 are dependent upon State budget actions, the District cannot predict the fiscal years in which the cap may apply.

For several fiscal years the State deferred the payment of certain revenues due to school districts to the following fiscal year. In accordance with State accounting standards, the District applies a modified accrual method of accounting and, accordingly, Tables 11 through 14 do not reflect any deferral of revenues to future fiscal years. The District does not anticipate needing to borrow funds on a short-term basis in order to have adequate cash on hand to meet expenditures in the current fiscal year, though the District may borrow from internal funds or from the County Treasurer on a short-term basis, if needed. See "DISTRICT DEBT STRUCTURE—Short-Term Debt" herein.

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) State apportionment sources (this was funded from revenue limit sources through fiscal year 2012-13 and thereafter pursuant to the LCFF); (2) federal sources; (3) other State sources; and (4) other local sources. Each of these revenue sources is described below.

State Apportionment Funding

The District received $38,061,161 from LCFF sources, in fiscal year 2017-18, representing 75.0% of its General Fund revenues. The District estimates that it received $40,650,596 in fiscal year 2018-19 from LCFF Sources, representing 78.2% of its General Fund revenues. In its 2019-20 Adopted Budget, the District projects that it will receive $41,902,700 from LCFF sources in fiscal year 2019-20, representing 82.4% of its General Fund revenues.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, all of which are restricted, comprised approximately 2.6% of General Fund revenues in fiscal year 2017-18 and is estimated to have comprised approximately 2.6% of General Fund revenues in fiscal year 2018-19. In its 2019-20 Adopted Budget, federal revenues are projected to be approximately 2.6% of General Fund revenues in fiscal year 2019-20.

Other State Sources

In addition to State apportionment funding discussed above, the District receives other State revenues ("Other State Sources"). In fiscal year 2017-18, Other State Sources equaled approximately 9.2% of total General Fund revenues and in fiscal year 2018-19, Other State Sources are estimated to have equaled approximately 5.5% of total General Fund revenues. In fiscal year 2019-20, Other State Sources are projected to equal approximately 3.3% of total General Fund revenues.

Other Local Sources

In addition to property taxes, the District receives additional local sources ("Other Local Sources") from items such as the South Pasadena Educational Foundation and a parcel tax. The parcel tax, which generates approximately $2.3 million annually, is currently scheduled to sunset on June 30, 2025. These Other Local Sources (including tuition and transfers) equaled approximately 13.3% of the total General Fund revenues in fiscal year 2017-18 and are estimated to have equaled approximately 13.7% of the total General Fund revenues in fiscal year 2018-19. Other Local Sources are projected to equal approximately 11.7% of General Fund revenues in fiscal year 2019-20.

Capital Projects Funds

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth. Separate and apart from the General Fund, the District also maintains a Special Reserve Fund for Capital Outlay to act as a reserve for Board of Education designated construction projects.

Collection of developer fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current developer fee is $3.79 per square foot of habitable space on domestic housing developments. The current developer fee on commercial/industrial developments is $0.54 per square foot. As of June 30, 2019, a balance of $356,755 existed in the District's Capital Facilities Fund, a balance of $1,343,074 existed in the County School Facilities Fund and a balance of $3,502,309 existed in the Special Reserve Fund for Capital Outlay. Except for amounts in the Special Reserve Fund for Capital Outlay, which may be expended on one-time non-capital costs other than salaries and benefits, the amounts in these funds are restricted to pay for capital improvements.

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DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2018, the District had $142,616,698 of long-term debt outstanding for Governmental Activities, of which $76,385,294 (inclusive of accreted interest) was related to general obligation bonds. The District has not issued any additional general obligation bonds since that date.

A schedule of changes in long-term debt for Governmental Activities for the fiscal year ended June 30, 2018 is as follows:

Table 15
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Long-Term Debt

Governmental Activities	*Balance July 1, 2017*	*Additions*	*Deductions*	*Balance June 30, 2018*	*Balance Due In One Year*
General obligation bonds[1]	$ 74,410,771	$ 10,886,662	$ 11,669,493	$ 73,627,940	$ 4,614,252
Unamortized premium	3,163,966	-	393,401	2,770,565	135,135
Unamortized discount	-	(13,211)	-	(13,211)	(826)
Total general obligation bonds	77,574,737	10,873,451	12,062,894	76,385,294	4,748,561
Supplemental retirement plan					
Compensated absences	$ 279,872	$ 463	$ -	$ 280,335	$ -
Net OPEB obligation	13,441,750	1,193,524	-	14,635,274	-
Net pension liability	46,467,415	4,848,380	-	51,315,795	-
Total	$137,763,774	$ 16,915,818	$ 12,062,894	$ 142,616,698	$ 4,748,561

(1) Inclusive of accreted interest.
Source: The District.

Additional information regarding the long-term debt and its scheduled repayment is set forth in Note 7 to the District's 2017-18 Audited Financial Statements attached as Appendix B hereto.

Short-Term Debt

The District has no short-term debt outstanding and does not expect to issue any short-term debt in fiscal year 2019-20.

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Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of the District is shown in Table 16 below. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement.

The information in the following table has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified this information and do not guarantee its accuracy.

Table 16
SOUTH PASADENA UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
South Pasadena Unified School District
As of September 1, 2019

2019-20 Assessed Valuation: $5,126,775,641

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/19
Metropolitan Water District	0.166%	$ 79,660
Pasadena Area Community College District	5.461	3,799,764
South Pasadena Unified School District	**100.000**	**52,781,811**[(1)(2)]
Los Angeles County Regional Park and Open Space Assessment District	0.318	43,312
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$56,704,547
OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.318%	$7,544,499
Los Angeles County Superintendent of Schools Certificates of Participation	0.318	16,480
Los Angeles County Sanitation District No. 16 Authority	9.350	515,452
TOTAL OVERLAPPING GENERAL FUND DEBT		$8,076,431
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$965,000
COMBINED TOTAL DEBT		$65,745,978[(3)]

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($52,781,811)... 1.03%
Total Direct and Overlapping Tax and Assessment Debt............ 1.11%
Combined Total Debt 1.28%

Ratio to Redevelopment Incremental Valuation ($77,069,849):
Total Overlapping Tax Increment Debt...................................... 1.25%

(1) Excludes the Series B Bonds.
(2) Excludes accreted interest of capital appreciation bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Series B Bonds are payable solely from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "SECURITY FOR THE SERIES B BONDS" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 1A, 2, 22, 30 39, 46, 98 and 111 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 Series B Bonds. The tax levied by the County for payment of the Series B Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, and (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition. In 2000, Article XIIIA was amended to allow for an increase in *ad valorem* taxes for bonded indebtedness incurred by a school district or community college district if approved by 55% or more of the votes cast. See "—Proposition 39" below.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The District is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Unitary Property

Some amount of property tax revenue of the District may be 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. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on any utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State's allowable limit. The District does not currently have and does not anticipate having "proceeds of taxes" in excess of its appropriations limit.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

Articles XIIIC and XIIID

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either "general taxes" (imposed for general governmental purposes) or "special taxes" (imposed for specific purposes); prohibits special purpose government agencies, including 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. Proposition 218 also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. A portion of the District's revenues are received annually from property taxes. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer to levy a property tax sufficient to pay debt service on the Series B Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* taxes pledged to repay general obligation bonds. See "DISTRICT FINANCIAL MATTERS—Revenue Sources." In the case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision"), the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIIIC. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to make payments with respect to the Series B Bonds.

The provisions of Article XIIIC and XIIID 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 interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which provided an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness of a school district or community college district by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt from the 1% *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55% of the voters, subject to the restrictions explained above. The *ad valorem* tax for payment on the Series B Bonds falls within the exception described in the preceding sentence.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed to review the use of the bond funds and inform the public about their proper usage. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Propositions 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools 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"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes 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 would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In certain fiscal years, the State Legislature and the Governor have utilized this provision to avoid having the full Proposition 98 funding paid to support K-14 schools.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools 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 will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of State General Fund revenues to be allocated to K-14 districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, some fiscal observers expect Proposition 98 to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimums under the first test and the second test described above are dependent on State General Fund revenues. In several recent fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimums.

Proposition 1A and Proposition 22

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

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for K-14 school districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to K-12 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

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

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the California Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

SB 222, applicable to general obligations bonds issued after its effective date, will remove the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future ad valorem property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The table below shows the expected use of bond funds under Proposition 51:

PROPOSITION 51
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	$7,000
Community College Facilities	$2,000
Total	$9,000

Jarvis v. Connell

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, and Propositions 22, 26, 30, 39, 46, 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

There can be no assurance that the California electorate will not at some future time adopt other initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of amounts legally available to the District.

STATE OF CALIFORNIA FISCAL ISSUES

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

General Overview

Financial Stress on State Budget. In 2008, the State began experiencing the most significant economic downturn and financial pressure since the Great Depression of the 1930s. Despite the recent significant budgetary improvements, according to the State, there remain a number of major risks and pressures that threaten the State's financial condition, including the threat of recession, potential changes to federal fiscal policies and large unfunded liabilities now totaling in excess of $200 billion for PERS, STRS, the University of California ("UC") Retirement System and the State's and UC's retiree healthcare benefits plans. The State's revenues (particularly the personal income tax) can be volatile and correlate to overall economic conditions. There can be no assurances that the State will not face fiscal stress and cash pressures again, or that other changes in the State or national economies will not materially adversely affect the financial condition of the State.

Cash Management by State and Impact on Schools. To conserve cash in light of declining revenues resulting from the last recession, the State enacted several statutes deferring the payment of amounts owed to public schools, until a later date in the current, or in a subsequent, fiscal year. This technique was used in all of the State's budget bills from fiscal year 2008-2009 through fiscal year 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. These deferrals reduced amounts paid to K-12 districts and resulted in deferred payments that at one point totaled more than

$10 billion. These deferrals also created cash flow shortages for certain K-12 districts which required an increased level of cash flow borrowings. In fiscal years 2013-14 and 2014-15, the State repaid the majority of these deferrals and the remaining $992 million was repaid in fiscal year 2015-16.

School Reserves – Senate Bill 858 (Stats. 2014, Chapter 32) ("SB 858"), trailer legislation to the 2014-15 State budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 requires school districts to identify amounts in excess of their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. As a result of the passage of Proposition 2 (discussed above), certain additional provisions of SB 858 have gone into effect that will cap school district reserve levels. Reserves may be capped in any fiscal year following a State deposit into the PSSSA created by Proposition 2. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2." Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 permits a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.

2019-20 State Budget

On June 27, 2019 the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of $138 billion and total expenditures of $142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $20.7 billion, including $5.4 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of $143.8 billion and authorizes expenditures of $147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.8 billion, including $1.4 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of $376.5 million in order to comply with Proposition 2. The amount is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2."

For fiscal year 2019-20, the 2019-20 Budget sets the minimum funding guarantee at $81.1 billion. With respect to K-12 education, ongoing per-pupil spending is set at $11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA.

- *Settle-Up Payment* – An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – $645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) $152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) $492.7

million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

- *Pension Costs* – A $3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "THE DISTRICT—Retirement System."

- *After School Programs* - $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.

- *Teacher Support* - $43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes $89.8 in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.

- *Broadband Infrastructure* - $7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.

- *Full-Day Kindergarten* - $300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.

- *Wildfire-Related Cost Adjustments* – An increase of $2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

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

Future Actions

The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls or changes in funding formulas in future fiscal years may also have an adverse financial impact on the financial condition of the District.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos ("Matosantos"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 1A and Proposition 22." ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed $250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the

District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which State apportionments may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

LEGAL MATTERS

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulation, rulings and judicial decisions, interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code but interest (and original issue discount) is exempt from State of California personal income tax.

With certain exceptions, the difference between the issue price of a Series B Bond (the first price at which a substantial amount of the Series B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Series B Bond will increase the Beneficial Owner's basis in the Series B Bond. Beneficial Owners of the Series B Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the Series B Bonds.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Series B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a Series B Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Series B Bond (and the amount of taxable interest received with respect to the Series B Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Series B Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series B Bond to the Beneficial Owner. The Beneficial Owners of the Series B Bonds that have a basis in the Series B Bonds that is greater than the principal amount of the Series B Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

In the event of a legal defeasance of a Series B Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Series B Bondholder generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Series B Bondholder's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above with respect to the Series B Bonds is included for general information only and may not be applicable depending upon a Beneficial Owner's particular situation. The ownership and disposal of the Series B Bonds and the accrual or receipt of interest with respect to the Series B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE SERIES B BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE SERIES B BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.**

A copy of the proposed form of opinion of Bond Counsel for the Series B Bonds is attached in Appendix A.

Legality for Investment in California

Under provisions of the California Financial Code, the Series B Bonds are legal investments for commercial banks in California to the extent that the Series B 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, are eligible for security for deposits of public moneys in the State.

No Litigation

No litigation is pending or threatened concerning the validity of the Series B Bonds, and a certificate to that effect will be furnished by the District at the time of the issuance and delivery of the Series B Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Series B Bonds.

In the opinion of the District, there are no claims or lawsuits pending against the District that will materially adversely affect the finances of the District.

CONTINUING DISCLOSURE

In connection with the issuance of the Series B Bonds, the District will covenant for the benefit of bondholders (including Beneficial Owners of the Series B Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than the last day of the ninth month following the end of the District's fiscal year (which currently ends June 30), commencing with the report for fiscal year 2018-19, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed by the District in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of enumerated events is included in Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants are being made in order to assist the Underwriter in complying with the Rule.

In each of the last five years the District has caused its annual reports required under its previous undertakings under the Rule to be filed on a timely basis except that the District's annual report for fiscal year 2013-14 omitted two tables that should have been included. The District supplemented the annual report and filed the two required tables in early 2017. In the last five years, the District has also, to its knowledge, complied with its previous undertakings under the Rule to timely report certain enumerated events.

MISCELLANEOUS

Ratings

S&P Global Ratings, a Standard & Poor's Financial Services LLP Business ("S&P") and Moody's Investor's Service, Inc. ("Moody's") have assigned the ratings of "AA" and "Aa2," respectively, to the Series B Bonds. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from S&P and Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating for the Series B Bonds will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series B Bonds.

Underwriting

The Series B Bonds are being purchased for reoffering by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Series B Bonds pursuant to a Bond Purchase Contract with the District (the "Contract of Purchase") at the initial purchase price of $51,524,753.20 (being equal to the aggregate principal amount of the Series B Bonds, less an Underwriter's discount of $224,977.50, plus an original issue premium of $1,754,730.70). The Contract of Purchase provides that the Underwriter will purchase all of the Series B Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriter may offer and sell the Series B Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Audited Financial Statements

The District's audited financial statements for fiscal year 2017-18 included in this Official Statement have been audited by Christy White Associates, A Professional Accountancy Corporation (the "Auditor"), independent auditors. Attention is called to the scope limitation described in the Auditor's report accompanying the financial statements. The Auditor has not been requested to consent to the inclusion of its report in this Official Statement. The Auditor has not undertaken to update the audited financial statements for fiscal year 2017-18 or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated November 20, 2018. See Appendix B—"DISTRICT'S 2017-18 AUDITED FINANCIAL STATEMENTS" herein.

Financial Interests

The fees being paid to the Underwriter, Bond Counsel and Disclosure Counsel, Underwriter's Counsel and the District's Municipal Advisor are contingent upon the issuance and delivery of the Series B Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series B Bonds.

ADDITIONAL INFORMATION

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

Any Bond Owner may obtain copies of reports relating to the Series B Bonds, as available, from the District at 1020 El Centro Street, South Pasadena, California 91030. The District may impose a charge for copying, mailing and handling.

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

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT

By: Geoff Yantz, Ed.D.
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE SERIES B BONDS

On the date of issuance of the Series B Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to issue its approving opinion relating to the Series B Bonds in substantially the following form:

[Closing Date]

Honorable Members of the Board of Education
South Pasadena Unified School District
South Pasadena, California

Re: $49,995,000 South Pasadena Unified School District (Los Angeles County, California) Election of 2016 General Obligation Bonds, Series B (Federally Taxable)

Dear Honorable Members of the Board of Education:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the South Pasadena Unified School District (the "District") taken in connection with the authorization and issuance of the District's Election of 2016 General Obligation Bonds, Series B (Federally Taxable), in the aggregate principal amount of $49,995,000 (the "Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the County of Los Angeles (the "County"), the District, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued by the District pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, and a vote of the qualified electors of the District voting at an election held on November 8, 2016, and pursuant to a resolution adopted by the Board of Education of the District on October 15, 2019 (the "Bond Resolution") and a resolution adopted by the Board of Supervisors of the County on October 29, 2019.

The Bonds mature on the dates and in the amounts authorized in the Bond Resolution. The Bonds are dated their date of delivery and bear interest payable semiannually on each February 1 and August 1, commencing February 1, 2020, at the rates per annum authorized in the Bond Resolution. The Bonds are registered bonds as set forth in the Bond Resolution.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized and constitute legal, valid and binding obligations of the District enforceable in accordance with the terms of the Bond Resolution, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California. The Bonds are obligations of the District but are not a debt of the County, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the County, the State of California, or any such political subdivisions is pledged for the payment thereof.

(2) The Bond Resolution has been duly adopted by the Board of Education of the District and constitutes the legal, valid and binding obligation of the District. The Bond Resolution is enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California, provided, however, we express no opinion as to the enforceability of provisions of the Bond Resolution as to indemnification, penalty, contribution, choice of law, choice of forum or waiver contained therein.

(3) The Bonds are secured by the proceeds of *ad valorem* taxes levied upon taxable property in the District which the Board of Supervisors of the County has the power to levy and is obligated by statute to levy without limit as to rate or amount (except as to certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

(4) Interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes; however, such interest (and original issue discount) is exempt from State of California personal income tax.

(5) Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

(6) The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of a Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as set forth in paragraphs (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

Respectfully submitted,

APPENDIX B

DISTRICT’S 2017-18 AUDITED FINANCIAL STATEMENTS

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SOUTH PASADENA UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL
ACCOUNTANCY CORPORATION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
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www.christywhite.com

Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

Governing Board
South Pasadena Unified School District
South Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the South Pasadena Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the South Pasadena Unified School 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 South Pasadena Educational Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Pasadena Educational Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of South Pasadena Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the financial statements, in 2018 South Pasadena Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Pasadena Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 on our consideration of South Pasadena Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Pasadena Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Pasadena Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
November 20, 2018

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of South Pasadena Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

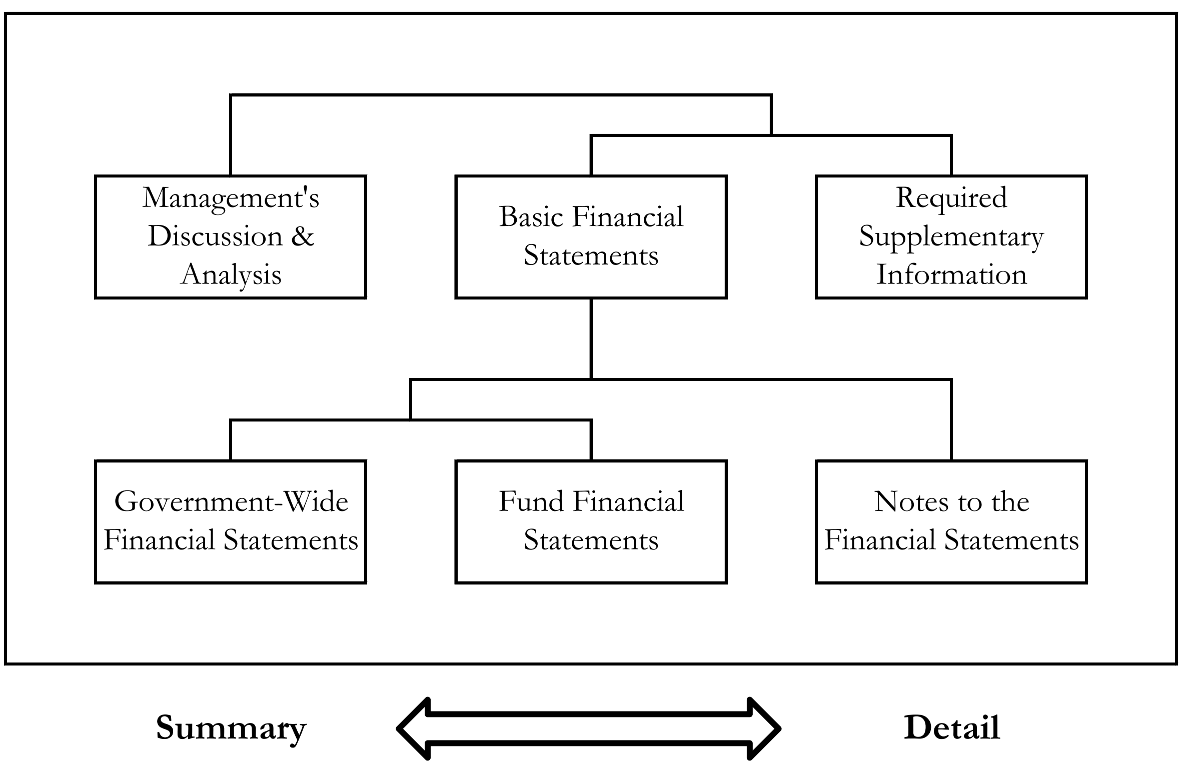
FINANCIAL HIGHLIGHTS

- The District's total net position was ($9,245,693) at June 30, 2018. This was a decrease of $459,150 from the prior year after restatement.

- Overall revenues were $61,468,280 which was less than expenses of $61,927,430.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

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

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

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

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

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

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's total net position was ($9,245,693) at June 30, 2018, as reflected in the table below. Of this amount, ($61,900,411) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2018	**2017**	**Net Change**	**2018**	**2017**	**Net Change**
ASSETS						
Current and other assets	$ 46,024,124	$ 51,433,555	$ (5,409,431)	$ 398,849	$ 279,187	$ 119,662
Capital assets	81,282,282	75,528,613	5,753,669	-	-	-
Total Assets	127,306,406	126,962,168	344,238	398,849	279,187	119,662
DEFERRED OUTFLOWS OF RESOURCES	16,748,822	9,764,484	6,984,338	510,336	425,927	84,409
LIABILITIES						
Current liabilities	10,591,813	6,931,628	3,660,185	113,270	116,460	(3,190)
Long-term liabilities	137,868,137	126,528,768	11,339,369	1,784,111	1,588,010	196,101
Total Liabilities	148,459,950	133,460,396	14,999,554	1,897,381	1,704,470	192,911
DEFERRED INFLOWS OF RESOURCES	3,798,382	1,951,397	1,846,985	54,393	92,254	(37,861)
NET POSITION						
Net investment in capital assets	36,610,047	38,215,405	(1,605,358)	-	-	-
Restricted	16,044,671	15,957,665	87,006	-	-	-
Unrestricted	(60,857,822)	(52,858,211)	(7,999,611)	(1,042,589)	(1,091,610)	49,021
Total Net Position	$ (8,203,104)	$ 1,314,859	$ (9,517,963)	$ (1,042,589)	$ (1,091,610)	$ 49,021

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
REVENUES						
Program revenues						
Charges for services	$ 1,456,557	$ 1,464,240	$ (7,683)	$ 1,591,099	$ 1,644,436	$ (53,337)
Operating grants and contributions	6,241,747	11,414,351	(5,172,604)	-	-	-
Capital grants and contributions	50,054	40,188	9,866	-	-	-
General revenues						
Property taxes	20,564,254	16,762,407	3,801,847	-	-	-
Unrestricted federal and state aid	30,699,831	29,221,415	1,478,416	-	-	-
Other	861,476	724,571	136,905	3,262	1,782	1,480
Total Revenues	59,873,919	59,627,172	246,747	1,594,361	1,646,218	(51,857)
EXPENSES						
Instruction	35,247,545	37,081,652	(1,834,107)	-	-	-
Instruction-related services	5,740,733	6,017,757	(277,024)	-	-	-
Pupil services	5,058,340	5,336,798	(278,458)	-	-	-
General administration	3,272,056	3,098,410	173,646	-	-	-
Plant services	7,024,007	5,244,050	1,779,957	-	-	-
Ancillary and community services	526,921	536,159	(9,238)	-	-	-
Debt service	3,173,239	2,927,046	246,193	-	-	-
Other outgo	339,249	639,256	(300,007)	-	-	-
Enterprise activities	-	-	-	1,545,340	1,752,781	(207,441)
Total Expenses	60,382,090	60,881,128	(499,038)	1,545,340	1,752,781	(207,441)
Change in net position	(508,171)	(1,253,956)	745,785	49,021	(106,563)	155,584
Net Position - Beginning, as Restated*	(7,694,933)	2,568,815	(10,263,748)	(1,091,610)	(985,047)	(106,563)
Net Position - Ending	$ (8,203,104)	$ 1,314,859	$ (9,517,963)	$ (1,042,589)	$ (1,091,610)	$ 49,021

** Beginning Net Position was restated for the 2018 year, governmental activities only*

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's governmental functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2018	**2017**
Instruction	$ 32,194,797	$ 30,521,435
Instruction-related services	5,525,434	5,421,927
Pupil services	2,705,266	2,634,411
General administration	3,226,410	2,935,073
Plant services	5,763,987	4,459,145
Ancillary and community services	519,867	519,238
Debt service	3,173,239	2,927,046
Transfers to other agencies	(475,268)	(1,455,926)
Total Expenses	$ 52,633,732	$ 47,962,349

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $39,623,652, which is less than last year's ending fund balance of $46,540,950. The District's General Fund had $567,955 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Building Fund had $6,955,175 less in operating revenues than expenditures for the year ended June 30, 2018. The District's County School Facilities Fund had $2,000,577 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Bond Interest and Redemption Fund had $1,811,917 more in operating revenues than expenditures, along with Other Financing Sources and Uses related to the refunding general obligation bond issuance of a net $206,414, for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-18

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the District had invested $81,282,282 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 6,138,461	$ 6,138,461	$ -
Construction in progress	8,047,314	1,189,322	6,857,992
Land improvements	5,999,597	5,934,734	64,863
Buildings & improvements	92,983,582	91,727,214	1,256,368
Furniture & equipment	1,423,087	1,348,502	74,585
Accumulated depreciation	(33,309,759)	(30,809,620)	(2,500,139)
Total Capital Assets	$ 81,282,282	$ 75,528,613	$ 5,753,669

Long-Term Liabilities

At year-end, the District had $139,652,248 in total long-term liabilities, an increase of 1.84% from last year's restated balance – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	$ 76,385,294	$ 77,574,737	$ (1,189,443)	$ -	$ -	$ -
Compensated absences	280,335	279,872	463	-	-	-
Total OPEB liability*	14,635,274	13,441,750	1,193,524	-	-	-
Net pension liability	51,315,795	46,467,415	4,848,380	1,784,111	1,588,010	196,101
Less: current portion of long-term debt	(4,748,561)	(2,225,214)	(2,523,347)	-	-	-
Total Long-term Liabilities	$137,868,137	$135,538,560	$ 2,329,577	$ 1,784,111	$ 1,588,010	$ 196,101

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (626) 441-5810, ext. 1110.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total	July 31, 2017 Discretely Presented Component Unit
ASSETS				
Cash and investments	$ 44,574,593	$ 333,294	$ 44,907,887	$ 1,318,004
Accounts receivable	1,428,397	65,555	1,493,952	-
Inventory	21,134	-	21,134	-
Prepaid expenses	-	-	-	1,000
Capital assets, not depreciated	14,185,775	-	14,185,775	-
Capital assets, net of accumulated depreciation	67,096,507	-	67,096,507	-
Total Assets	127,306,406	398,849	127,705,255	1,319,004
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	14,516,051	510,336	15,026,387	-
Deferred outflows related to OPEB	460,507	-	460,507	-
Deferred amount on refunding	1,772,264	-	1,772,264	-
Total Deferred Outflows of Resources	16,748,822	510,336	17,259,158	-
LIABILITIES				
Accrued liabilities	5,508,644	113,270	5,621,914	612,376
Unearned revenue	334,608	-	334,608	1,000
Long-term liabilities, current portion	4,748,561	-	4,748,561	-
Long-term liabilities, non-current portion	137,868,137	1,784,111	139,652,248	-
Total Liabilities	148,459,950	1,897,381	150,357,331	613,376
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	3,798,382	54,393	3,852,775	-
Total Deferred Inflows of Resources	3,798,382	54,393	3,852,775	-
NET POSITION				
Net investment in capital assets	36,610,047	-	36,610,047	-
Restricted:				
Capital projects	5,759,025	-	5,759,025	-
Debt service	6,895,142	-	6,895,142	-
Educational programs	2,864,250	-	2,864,250	-
All others	526,254	-	526,254	-
Unrestricted	(60,857,822)	(1,042,589)	(61,900,411)	705,628
Total Net Position	$ (8,203,104)	$ (1,042,589)	$ (9,245,693)	$ 705,628

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Total	July 31, 2017 Discretely Presented Component Unit
GOVERNMENTAL ACTIVITIES								
Instruction	$ 35,247,545	$ 193,924	$ 2,808,770	$ 50,054	$ (32,194,797)			
Instruction-related services								
Instructional supervision and administration	1,205,116	18,420	193,212	-	(993,484)			
Instructional library, media, and technology	1,306,084	-	-	-	(1,306,084)			
School site administration	3,229,533	104	3,563	-	(3,225,866)			
Pupil services								
Home-to-school transportation	378,332	11,868	123,142	-	(243,322)			
Food services	1,740,555	1,046,479	679,419	-	(14,657)			
All other pupil services	2,939,453	25,807	466,359	-	(2,447,287)			
General administration								
Centralized data processing	103,866	-	-	-	(103,866)			
All other general administration	3,168,190	39,708	5,938	-	(3,122,544)			
Plant services	7,024,007	65,148	1,194,872	-	(5,763,987)			
Ancillary services	504,748	371	3,961	-	(500,416)			
Community services	22,173	173	2,549	-	(19,451)			
Interest on long-term debt	3,173,239	-	-	-	(3,173,239)			
Other outgo	339,249	54,555	759,962	-	475,268			
Total Governmental Activities	$ 60,382,090	$ 1,456,557	$ 6,241,747	$ 50,054	(52,633,732)			
BUSINESS-TYPE ACTIVITIES								
Enterprise activities	1,545,340	1,591,099	-	-		$ 45,759		
Total Business-Type Activities	1,545,340	1,591,099	-	-		45,759		
Total School District	$ 61,927,430	$ 3,047,656	$ 6,241,747	$ 50,054			$ (52,587,973)	
DISCRETELY PRESENTED COMPONENT UNIT								
Summer school program	$ 871,964	$ 1,449,094	$ -	$ -				$ 577,130
Grant to district	819,591	-	340,768	-				(478,823)
Administration	90,664	-	-	-				(90,664)
Fundraising	130,531	-	-	-				(130,531)
Total	$ 1,912,750	$ 1,449,094	$ 340,768	$ -				(122,888)
General revenues								
Taxes and subventions								
Property taxes, levied for general purposes					11,064,262	-	11,064,262	-
Property taxes, levied for debt service					7,126,743	-	7,126,743	-
Property taxes, levied for other specific purposes					2,373,249	-	2,373,249	-
Federal and state aid not restricted for specific purposes					30,699,831	-	30,699,831	-
Interest and investment earnings					181,417	3,262	184,679	1,754
Miscellaneous					680,059	-	680,059	177,664
Subtotal, General Revenue					52,125,561	3,262	52,128,823	179,418
CHANGE IN NET POSITION					(508,171)	49,021	(459,150)	56,530
Net Position - Beginning, as Restated					(7,694,933)	(1,091,610)	(8,786,543)	649,098
Net Position - Ending					$ (8,203,104)	$ (1,042,589)	$ (9,245,693)	$ 705,628

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 8,670,574	$ 18,030,006	$ 2,180,920	$ 7,768,267	$ 6,501,083	$ 43,150,850
Accounts receivable	1,176,138	111,673	15,140	-	118,844	1,421,795
Stores inventory	-	-	-	-	21,134	21,134
Total Assets	$ 9,846,712	$ 18,141,679	$ 2,196,060	$ 7,768,267	$ 6,641,061	$ 44,593,779
LIABILITIES						
Accrued liabilities	$ 2,756,373	$ 1,227,758	$ 594,402	$ -	$ 56,986	$ 4,635,519
Unearned revenue	237,086	-	-	-	97,522	334,608
Total Liabilities	2,993,459	1,227,758	594,402	-	154,508	4,970,127
FUND BALANCES						
Nonspendable	15,250	-	-	-	21,579	36,829
Restricted	2,864,250	16,913,921	1,601,658	7,768,267	4,683,621	33,831,717
Committed	-	-	-	-	1,781,353	1,781,353
Unassigned	3,973,753	-	-	-	-	3,973,753
Total Fund Balances	6,853,253	16,913,921	1,601,658	7,768,267	6,486,553	39,623,652
Total Liabilities and Fund Balances	$ 9,846,712	$ 18,141,679	$ 2,196,060	$ 7,768,267	$ 6,641,061	$ 44,593,779

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 39,623,652
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
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		
Capital assets	$ 114,592,041	
Accumulated depreciation	(33,309,759)	81,282,282
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		1,772,264
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 statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(873,125)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 76,385,294	
Compensated absences	280,335	
Net pension liability	51,315,795	(127,981,424)
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		
Deferred outflows of resources related to pensions	$ 14,516,051	
Deferred inflows of resources related to pensions	(3,798,382)	10,717,669

(Continued on next page)

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

Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		(12,744,422)
Total Net Position - Governmental Activities	$	(8,203,104)

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	$ 38,061,161	$ -	$ -	$ -	$ 150,000	$ 38,211,161
Federal sources	1,309,270	-	-	-	645,314	1,954,584
Other state sources	4,666,389	-	-	39,266	37,631	4,743,286
Other local sources	6,732,474	339,140	50,055	7,170,161	1,899,141	16,190,971
Total Revenues	50,769,294	339,140	50,055	7,209,427	2,732,086	61,100,002
EXPENDITURES						
Current						
Instruction	33,804,151	-	-	-	-	33,804,151
Instruction-related services						
Instructional supervision and administration	1,141,840	-	-	-	-	1,141,840
Instructional library, media, and technology	1,183,464	-	-	-	-	1,183,464
School site administration	3,046,098	-	-	-	-	3,046,098
Pupil services						
Home-to-school transportation	367,810	-	-	-	-	367,810
Food services	229	-	-	-	1,738,712	1,738,941
All other pupil services	2,785,378	-	-	-	-	2,785,378
General administration						
Centralized data processing	101,432	-	-	-	-	101,432
All other general administration	2,906,853	-	-	-	65,821	2,972,674
Plant services	4,991,986	-	-	-	180,322	5,172,308
Facilities acquisition and maintenance	64,863	7,294,315	2,050,632	-	159,153	9,568,963
Ancillary services	479,106	-	-	-	-	479,106
Community services	19,912	-	-	-	-	19,912
Transfers to other agencies	444,127	-	-	-	-	444,127
Debt service						
Principal	-	-	-	2,090,079	-	2,090,079
Interest and other	-	-	-	3,307,431	-	3,307,431
Total Expenditures	51,337,249	7,294,315	2,050,632	5,397,510	2,144,008	68,223,714
Excess (Deficiency) of Revenues Over Expenditures	(567,955)	(6,955,175)	(2,000,577)	1,811,917	588,078	(7,123,712)
Other Financing Sources (Uses)						
Other sources	-	-	-	9,467,406	-	9,467,406
Other uses	-	-	-	(9,260,992)	-	(9,260,992)
Net Financing Sources (Uses)	-	-	-	206,414	-	206,414
NET CHANGE IN FUND BALANCE	(567,955)	(6,955,175)	(2,000,577)	2,018,331	588,078	(6,917,298)
Fund Balance - Beginning	7,421,208	23,869,096	3,602,235	5,749,936	5,898,475	46,540,950
Fund Balance - Ending	$ 6,853,253	$ 16,913,921	$ 1,601,658	$ 7,768,267	$ 6,486,553	$ 39,623,652

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

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

Net Change in Fund Balances - Governmental Funds			$	(6,917,298)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:				
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 estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period				
Expenditures for capital outlay:	$	8,253,808		
Depreciation expense:		(2,500,139)		5,753,669
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:				11,669,493
Debt proceeds:				
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:				(9,467,406)
Deferred amounts on refunding:				
In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:				812,976
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 it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:				120,316
Accreted interest on long-term debt:				
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.				(1,406,045)

(Continued on next page)

Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:		(463)
Pensions:		
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		(984,510)
Amortization of debt issuance premium or discount:		
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:		393,401
Internal Service Funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal		(482,304)
Change in Net Position of Governmental Activities	$	(508,171)

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Child Care Enterprise Fund	**Internal Service Fund**
ASSETS		
Current assets		
Cash and investments	$ 333,294	$ 1,423,743
Accounts receivable	65,555	6,602
Total Assets	398,849	1,430,345
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	510,336	460,507
Total Deferred Outflows of Resources	510,336	460,507
LIABILITIES		
Current liabilities		
Accrued liabilities	113,270	-
Total current liabilities	113,270	-
Non-current liabilities	1,784,111	14,635,274
Total Liabilities	1,897,381	14,635,274
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	54,393	-
Total Deferred Inflows of Resources	54,393	-
NET POSITION		
Restricted	-	(12,744,422)
Unrestricted	(1,042,589)	-
Total Net Position	$ (1,042,589)	$ (12,744,422)

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Child Care Enterprise Fund	Internal Service Fund
OPERATING REVENUE		
Charges for services	$ 1,591,099	$ 460,507
Total operating revenues	1,591,099	460,507
OPERATING EXPENSE		
Salaries and benefits	1,377,134	733,017
Supplies and materials	116,272	-
Professional services	51,934	228,284
Total operating expenses	1,545,340	961,301
Operating income/(loss)	45,759	(500,794)
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	3,262	18,490
Total non-operating revenues/(expenses)	3,262	18,490
CHANGE IN NET POSITION	49,021	(482,304)
Net Position - Beginning, as Restated*	(1,091,610)	(12,262,118)
Net Position - Ending	$ (1,042,589)	$ (12,744,422)

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Child Care Enterprise Fund	**Internal Service Fund**
Cash flows from operating activities		
Cash received from user charges	$ 1,560,692	$ -
Cash received from assessments made to other funds	-	459,887
Cash payments for payroll, insurance, and operating costs	(1,474,699)	(228,284)
Net cash provided by operating activities	85,993	231,603
Cash flows from investing activities		
Interest received	3,262	18,490
Net cash provided by investing activities	3,262	18,490
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,255	250,093
CASH AND CASH EQUIVALENTS		
Beginning of year	244,039	1,173,650
End of year	$ 333,294	$ 1,423,743
Reconciliation of operating income (loss) to cash provided by operating activities		
Operating income (loss)	$ 45,759	$ (500,794)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase in accounts receivable	(30,407)	(620)
Increase in deferred outflows	(84,409)	(460,507)
Decrease in accounts payable	(3,190)	-
Increase in non-current liabilities	196,101	1,193,524
Decrease in deferred inflows	(37,861)	-
Net cash provided by operating activities	$ 85,993	$ 231,603

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds	
	Warrant/Pass-through Fund	Student Body Fund
ASSETS		
Cash and investments	$ 347,027	$ 1,331,413
Total Assets	$ 347,027	$ 1,331,413
LIABILITIES		
Accrued liabilities	$ 347,027	$ 340
Due to student groups	-	1,331,073
Total Liabilities	$ 347,027	$ 1,331,413

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The South Pasadena Unified School District (the "District"), established in 1886, is located in a three square mile area between the cities of Los Angeles, San Marino, Alhambra and Pasadena in Los Angeles County, 10 miles northeast of the City of Los Angeles. The boundaries of the District are coterminous with the boundaries of the City of South Pasadena (the "City"). The District operates three elementary schools, one middle school, one high school, a district office and a maintenance office. A fourth elementary school site is presently leased to the Institute for the Redesign of Learning.

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

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).

B. Component Units

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

The South Pasadena Educational Foundation (the "component unit"), although a legally separate tax-exempt entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, the District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or help by the separate organization, and the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

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

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

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

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds

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

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

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

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

Non-Major Governmental Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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

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

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

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

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Child Care Enterprise Fund: This fund may be used to account for other business activities. The District maintains the childcare and preschool program in this fund.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section* 17566).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

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

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

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

D. Basis of Accounting – Measurement Focus

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

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

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

Asset Class	Estimated Useful Life
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District 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.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

F. Interfund Activity

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Estimates

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

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Business-Type Activities	Fiduciary Funds
Investment in county treasury	$ 42,972,708	$ 1,423,743	$ 44,396,451	$ 333,294	$ 347,027
Cash on hand and in banks	162,447	-	162,447	-	1,331,413
Cash in revolving fund	15,695	-	15,695	-	-
Total cash and investments	$ 43,150,850	$ 1,423,743	$ 44,574,593	$ 333,294	$ 1,678,440

B. Policies and Practices

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

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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

C. General Authorizations

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $44,472,943 and an amortized book value of $45,076,772. The average weighted maturity for this pool is 609 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The 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, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value (continued)

Uncategorized - Investments in the Los Angeles 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 at June 30, 2018 were as follows:

	Uncategorized
Investment in county treasury	$ 44,472,943
Total fair market value of investments	$ 44,472,943

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Business-Type Activities
Federal Government							
Categorical aid	$ 171,901	$ -	$ -	$ 78,005	$ -	$ 249,906	$ -
State Government							
Categorical aid	83,399	-	-	5,501	-	88,900	-
Lottery	202,264	-	-	-	-	202,264	-
Local Government							
Other local sources	718,574	111,673	15,140	35,338	6,602	887,327	65,555
Total	$ 1,176,138	$ 111,673	$ 15,140	$ 118,844	$ 6,602	$ 1,428,397	$ 65,555

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 6,138,461	$ -	$ -	$ 6,138,461
Construction in progress	1,189,322	8,114,360	1,256,368	8,047,314
Total Capital Assets not Being Depreciated	7,327,783	8,114,360	1,256,368	14,185,775
Capital assets being depreciated				
Land improvements	5,934,734	64,863	-	5,999,597
Buildings & improvements	91,727,214	1,256,368	-	92,983,582
Furniture & equipment	1,348,502	74,585	-	1,423,087
Total Capital Assets Being Depreciated	99,010,450	1,395,816	-	100,406,266
Less Accumulated Depreciation				
Land improvements	2,055,971	293,946	-	2,349,917
Buildings & improvements	27,883,142	2,110,651	-	29,993,793
Furniture & equipment	870,507	95,542	-	966,049
Total Accumulated Depreciation	30,809,620	2,500,139	-	33,309,759
Governmental Activities				
Capital Assets, net	$ 75,528,613	$ 7,010,037	$ 1,256,368	$ 81,282,282

Depreciation expense is allocated to governmental functions as follows:

Governmental Activities	
Instruction	$ 1,643,433
Instructional supervision and administratio	66,174
Instructional library, media, and technology	61,245
School site administration	142,228
Home-to-school transportation	10,522
Food services	76
All other pupil services	132,632
Centralized data processing	2,434
All other general administration	162,329
Plant services	250,659
Ancillary services	26,474
Community services	1,933
Total depreciation expense	$ 2,500,139

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Business-Type Activities	Total Fiduciary
Payroll	$ 281,866	$ 7,170	$ -	$ 29,320	$ -	$ 318,356	$ 81,467	$ -
Construction	-	1,220,588	594,402	-	-	1,814,990	-	-
Vendors payable	2,474,507	-	-	27,666	-	2,502,173	31,803	347,367
Unmatured interest	-	-	-	-	873,125	873,125	-	-
Total	$ 2,756,373	$ 1,227,758	$ 594,402	$ 56,986	$ 873,125	$ 5,508,644	$ 113,270	$ 347,367

NOTE 6 – UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 79,981	$ -	$ 79,981
State categorical sources	157,105	-	157,105
Local sources	-	97,522	97,522
Total	$ 237,086	$ 97,522	$ 334,608

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 74,410,771	$ 10,886,662	$ 11,669,493	$ 73,627,940	$ 4,614,252
Unamortized premium	3,163,966	-	393,401	2,770,565	135,135
Unamortized discount	-	(13,211)	-	(13,211)	(826)
Total general obligation bonds	77,574,737	10,873,451	12,062,894	76,385,294	4,748,561
Compensated absences	279,872	463	-	280,335	-
Total OPEB liability	13,441,750	1,193,524	-	14,635,274	-
Net pension liability	46,467,415	4,848,380	-	51,315,795	-
Total	$ 137,763,774	$ 16,915,818	$ 12,062,894	$ 142,616,698	$ 4,748,561

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Business-Type Activities					
Net pension liability	$ 1,588,010	$ 196,101	$ -	$ 1,784,111	$ -
Total	$ 1,588,010	$ 196,101	$ -	$ 1,784,111	$ -

NOTE 7 – LONG-TERM DEBT (continued)

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
Election 1995, Series A	March 1, 1996	November 1, 2020	3.600% - 5.550%	$6,500,000	$ 1,565,000	$ -	$ 360,000	$ 1,205,000
Election 1995, Series B	February 1, 1998	November 1, 2022	3.600% - 5.200%	9,999,877	3,842,428	182,302	740,000	3,284,730
Election 1995, Series C	August 1, 1999	May 1, 2024	3.650% - 5.650%	9,999,209	12,738,254	706,747	1,445,000	12,000,001
Election 1995, Series D	June 7, 2001	November 1, 2025	4.000% - 5.660%	2,200,890	3,724,641	224,990	50,000	3,899,631
Election 2002, Series B	April 7, 2010	August 1, 2034	2.000% - 6.720%	8,999,680	10,170,448	292,006	8,384,493	2,077,961
2012 Refunding	February 9, 2012	May 1, 2028	2.000% - 5.000%	19,025,000	17,375,000	-	690,000	16,685,000
Election 2016, Series A	March 21, 2017	August 1, 2046	2.000% - 5.000%	24,995,000	24,995,000	-	-	24,995,000
2018 Refunding	January 18, 2018	August 1, 2034	3.000% - 4.060%	9,480,617	-	9,480,617	-	9,480,617
					$ 74,410,771	$ 10,886,662	$ 11,669,493	$ 73,627,940

Election 1995

In an election held November 7, 1995, the voters authorized the District to issue and sale $28,700,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance the acquisition, construction and modernization of school facilities and paying related costs. There were four issuances under this election:

- Series A, which was issued on March 1, 1996 for $6,500,000 with interest rates ranging from 3.600% to 5.550%. The original issuance consisted of $2,660,000 in current interest serial bonds, and $3,840,000 in current interest term bonds. The principal balance outstanding on June 30, 2018 amounted to $1,205,000.

- Series B, which was issued on February 1, 1998 for $9,999,877 with interest rates ranging from 3.600% to 5.200%. The original issuance consisted of $6,930,000 in current interest serial bonds and $3,069,877 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2018 amounted to $3,284,730, including accreted interest.

- Series C, which was issued on August 1, 1999 for $9,999,209 with interest rates ranging from 3.650% to 5.650%. The original issuance consisted of $620,000 in current interest serial bonds and $9,379,209 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2018 amounted to $12,000,001, including accreted interest.

- Series D, which was issued on June 7, 2001 for $2,200,890 with interest rates ranging from 4.000% to 5.660%. The original issuance consisted of $445,000 in current interest serial bonds, $1,360,084 in capital appreciation serial bonds, and $395,806 in capital appreciation term bonds. The principal balance outstanding on June 30, 2018 amounted to $3,899,631, including accreted interest.

NOTE 7 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Election 2002

In an election held November 5, 2002, the voters authorized the District to issue and sale $29,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance the acquisition, construction and modernization of certain District property and facilities. There were two issuances under this election, Series A has been paid off:

- Series B, which was issued on April 7, 2010 for $8,999,680 with interest rates ranging from 2.000% to 6.720%. The original issuance consisted of $3,075,000 in current interest serial bonds, $1,120,000 in current interest term bonds, and $4,804,680 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2018 amounted to $2,077,961, including accreted interest.

2012 Refunding Bonds

On February 9, 2012, the District issued $19,025,000 of general obligation refunding bonds. The bonds were issued to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series A and pay the costs of issuing the bonds. The original issuance consisted entirely of current interest serial bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflow of resources on the statement of net position and are amortized to interest expense over the life of the liability. Deferred outflow of resources of $872,080 remain to be amortized. As of June 30, 2013, the principal balance outstanding on the defeased debt had been completely redeemed. The refunding decreased the District's total debt service payments by $1,775,612. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of $380,284. The principal balance outstanding on June 30, 2018 amounted to $16,685,000.

Election 2016

In an election held on November 8, 2016, the voters authorized the District to issue and sale $98,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance improvements to and the acquisition of equipment for one or more schools within the District. There was one issuance under this election:

- Series A, which was issued on March 21, 2017 for $24,995,000 with interest rates ranging from 2.000% to 5.000%. The principal balance outstanding on June 30, 2018 amounted to $24,995,000.

NOTE 7 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2018 Refunding Bonds

On January 18, 2018, the District issued $9,480,617 of general obligation refunding bonds. The bonds were issued to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series B and pay the costs of issuing the bonds. The original issuance consisted of $590,000 of current interest bonds and $8,890,617 of capital appreciation bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflow of resources on the statement of net position and are amortized to interest expense over the life of the liability. Deferred outflow of resources of $900,184 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt was $5,767,097. The refunding decreased the District's total debt service payments by $2,595,842. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of $1,113,425. The principal balance outstanding on June 30, 2018 amounted to $9,480,617.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2047 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 4,614,252	$ 3,330,657	$ 7,944,909
2020	4,402,695	3,338,362	7,741,057
2021	4,405,146	3,322,070	7,727,216
2022	2,195,037	3,587,156	5,782,193
2023	2,323,218	3,685,172	6,008,390
2024 - 2028	14,197,518	12,935,443	27,132,961
2029 - 2033	8,419,897	9,723,237	18,143,134
2034 - 2038	6,963,303	6,320,697	13,284,000
2039 - 2043	5,995,000	2,083,950	8,078,950
2044 - 2047	7,085,000	595,700	7,680,700
Accretion	13,026,874	(13,026,874)	-
Total	$ 73,627,940	$ 35,895,570	$ 109,523,510

NOTE 7 – LONG-TERM DEBT (continued)

C. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $280,335. This amount is included as part of long-term liabilities in the government-wide financial statements.

D. Other Postemployment Benefits

The District's restated beginning total OPEB liability was $13,441,750 and increased by $1,193,524 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was $14,635,274. See Note 9 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was $48,055,425 and increased by $5,044,481 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $53,099,906. See Note 10 for additional information regarding the net pension liability.

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	$ 15,250	$ -	$ -	$ -	$ 445	$ 15,695
Stores inventory	-	-	-	-	21,134	21,134
Total non-spendable	15,250	-	-	-	21,579	36,829
Restricted						
Educational programs	2,864,250	-	-	-	-	2,864,250
Capital projects	-	16,913,921	1,601,658	-	4,157,367	22,672,946
Debt service	-	-	-	7,768,267	-	7,768,267
All others	-	-	-	-	526,254	526,254
Total restricted	2,864,250	16,913,921	1,601,658	7,768,267	4,683,621	33,831,717
Committed						
Deferred maintenance	-	-	-	-	1,781,353	1,781,353
Total committed	-	-	-	-	1,781,353	1,781,353
Unassigned						
Remaining unassigned	3,973,753	-	-	-	-	3,973,753
Total unassigned	3,973,753	-	-	-	-	3,973,753
Total	$ 6,853,253	$ 16,913,921	$ 1,601,658	$ 7,768,267	$ 6,486,553	$ 39,623,652

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The South Pasadena Unified School District's single employer defined benefit OPEB plan, South Pasadena Unified School District Retiree Benefit Plan (the Plan) is described below.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

	All Participants
Benefit types provided	Medical only
Duration of Benefits	To age 65
Required Service	10 years
Minimum Age	55
Dependent Coverage	One only
District Contribution %	100% to cap
District Cap	Kaiser two party rate

C. Contributions

The contribution requirements of Plan members and the South Pasadena Unified School District are established and may be amended by the South Pasadena Unified School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	110
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	389
Total number of participants**	499

*Information not provided

**As of the June 30, 2017 valuation date

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Total OPEB Liability

The South Pasadena Unified School District's total OPEB liability of $14,635,274 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

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

Economic assumptions:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	3.50%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:	
Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table
Retirement rates:	
Certificated	2009 CalSTRS Retirement Rates Table
Classified	Hired before 2013: 2009 CalPERS Retirement Rates for School Employees Table Hired after 2012: 2009 CalPERS 2%@60 Retirement Rates for Miscellaneous Employees Table
Vesting rates:	
Certificated	100% at 10 years of service
Classified	100% at 5 years of service

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2017.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 1,160,782
Interest on total OPEB liability	482,348
Benefits payments	(449,606)
Net change in total OPEB liability	1,193,524
Total OPEB liability - beginning	13,441,750
Total OPEB liability - ending	$ 14,635,274
Covered payroll	$ 31,166,361
District's total OPEB liability as a percentage of covered payroll	47.0%

The South Pasadena Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

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

The following presents the total OPEB liability of the South Pasadena Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Valuation Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$ 16,688,451	$ 14,635,274	$ 12,961,040

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the South Pasadena Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.00%)	Valuation Trend Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	$ 13,101,072	$ 14,635,274	$ 16,387,868

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

For the fiscal year ended June 30, 2018, the South Pasadena Unified School District recognized OPEB expense of $1,193,524. At June 30, 2018, the South Pasadena Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
District contributions subsequent to the measurement date	$ 460,507
	$ 460,507

The $460,507 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 10 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 40,010,982	$ 10,857,590	$ 3,562,516	$ 3,696,648
PERS Pension	13,088,924	4,168,797	290,259	1,656,311
Total	$ 53,099,906	$ 15,026,387	$ 3,852,775	$ 5,352,959

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided
The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. 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 percent of final compensation for each year 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 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. 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 percent of final compensation for each year 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 percent at age 65 or older.

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $3,297,125 for the year ended June 30, 2018.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,924,891 to CalSTRS.

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

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

District's proportionate share of the net pension liability	$	40,010,982
State's proportionate share of the net pension liability associated with the District		23,670,351
Total	$	63,681,333

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.043 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $3,696,648. In addition, the District recognized pension expense and revenue of $680,318 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 1,065,604
Differences between expected and actual experience	147,964	697,856
Changes in assumptions	7,412,501	
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,799,056
District contributions subsequent to the measurement date	3,297,125	-
	$ 10,857,590	$ 3,562,516

The $3,297,125 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 1,260,078	$ 1,372,506
2020	1,260,078	(184,658)
2021	1,260,078	390,132
2022	1,260,078	1,434,155
2023	1,260,078	320,415
2024	1,260,075	229,966
	$ 7,560,465	$ 3,562,516

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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

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

*20-year geometric average

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan'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 presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 58,748,823	$ 40,010,982	$ 24,803,953

Pension Plan 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

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 CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $997,493 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $13,088,924 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.055 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $1,656,311. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 452,787	$ -
Differences between expected and actual experience	468,922	-
Changes in assumptions	1,911,843	154,106
Changes in proportion and differences between District contributions and proportionate share of contributions	337,752	136,153
District contributions subsequent to the measurement date	997,493	-
	$ 4,168,797	$ 290,259

NOTE 10 – PENSION PLANS (continued)

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

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

The $997,493 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 1,077,567	$ 290,259
2020	1,385,470	-
2021	956,213	-
2022	(247,946)	-
	$ 3,171,304	$ 290,259

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

NOTE 10 – PENSION PLANS (continued)

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

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 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 19,258,002	$ 13,088,924	$ 7,971,158

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of $11,711,861.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint powers agreement (JPA) entities, the Schools' Excess Liability Fund (SELF), the Alliance for Schools Collective Insurance Purchasing (ASCIP) and the California Statewide Delinquent Tax Finance Authority (the Authority). The Alliance for Schools Collective Insurance provides property, liability and workers compensation insurance for member districts. The Schools' Excess Liability Fund arranges for and provides excess property and liability insurance for its member school districts. The relationship between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

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

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was $1,772,264.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to pensions was $15,026,387 and total deferred inflows related to pensions was $3,852,775.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2018, total deferred outflows related to other postemployment benefits was $460,507.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of the Internal Service Fund and Total Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Internal Service Fund	Total Governmental Activities
Net Position - Beginning, as Previously Reported	$ (3,252,326)	$ 1,314,859
Restatement	(9,009,792)	(9,009,792)
Net Position - Beginning, as Restated	$ (12,262,118)	$ (7,694,933)

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 38,161,185	$ 38,234,000	$ 38,061,161	$ (172,839)
Federal sources	1,263,679	1,380,434	1,309,270	(71,164)
Other state sources	1,910,556	2,600,460	2,741,498	141,038
Other local sources	5,657,323	5,826,163	6,732,474	906,311
Total Revenues	46,992,743	48,041,057	48,844,403	803,346
EXPENDITURES				
Certificated salaries	23,389,125	23,195,740	23,201,887	(6,147)
Classified salaries	6,051,808	6,255,847	6,352,556	(96,709)
Employee benefits	10,369,212	10,622,372	10,522,391	99,981
Books and supplies	1,415,350	2,371,509	2,725,550	(354,041)
Services and other operating expenditures	5,716,858	6,307,818	6,145,949	161,869
Capital outlay	50,000	524,161	85,719	438,442
Other outgo				
Excluding transfers of indirect costs	327,441	327,441	444,127	(116,686)
Transfers of indirect costs	(63,821)	(63,821)	(65,821)	2,000
Total Expenditures	47,255,973	49,541,067	49,412,358	128,709
Excess (Deficiency) of Revenues				
Over Expenditures	(263,230)	(1,500,010)	(567,955)	932,055
Other Financing Sources (Uses)				
Transfers in	104,000	104,000	-	(104,000)
Net Financing Sources (Uses)	104,000	104,000	-	(104,000)
NET CHANGE IN FUND BALANCE	(159,230)	(1,396,010)	(567,955)	828,055
Fund Balance - Beginning	7,421,208	7,421,208	7,421,208	-
Fund Balance - Ending	$ 7,261,978	$ 6,025,198	$ 6,853,253	$ 828,055

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments of $1,924,891 are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 1,160,782
Interest on total OPEB liability	482,348
Benefits payments	(449,606)
Net change in total OPEB liability	1,193,524
Total OPEB liability - beginning	13,441,750
Total OPEB liability - ending	$ 14,635,274
Covered payroll	$ 31,166,361
District's total OPEB liability as a percentage of covered payroll	47.0%

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.043%	0.045%	0.046%	0.045%
District's proportionate share of the net pension liability	$ 40,010,982	$ 36,716,369	$ 30,683,567	$ 26,133,360
State's proportionate share of the net pension liability associated with the District	23,670,351	20,905,052	16,228,181	15,780,451
Total	$ 63,681,333	$ 57,621,421	$ 46,911,748	$ 41,913,811
District's covered payroll	$ 23,208,673	$ 22,746,645	$ 20,682,593	$ 19,918,667
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.4%	161.4%	148.4%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.055%	0.057%	0.056%	0.052%
District's proportionate share of the net pension liability	$ 13,088,924	$ 11,339,056	$ 8,231,759	$ 5,923,607
District's covered payroll	$ 7,070,215	$ 7,354,334	$ 6,151,744	$ 5,477,513
District's proportionate share of the net pension liability as a percentage of its covered payroll	185.1%	154.2%	133.8%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 3,297,125	$ 2,896,598	$ 2,436,682	$ 1,835,014
Contributions in relation to the contractually required contribution*	(3,297,125)	(2,896,598)	(2,436,682)	(1,835,014)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 23,029,700	$ 23,208,673	$ 22,746,645	$ 20,682,593
Contributions as a percentage of covered payroll	14.32%	12.48%	10.71%	8.87%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 997,493	$ 890,894	$ 752,266	$ 761,711
Contributions in relation to the contractually required contribution	(997,493)	(890,894)	(752,266)	(761,711)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 6,979,500	$ 7,070,215	$ 7,354,334	$ 6,151,744
Contributions as a percentage of covered payroll	14.29%	12.60%	10.23%	12.38%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

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

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	$ 23,195,740	$ 23,201,887	$ 6,147
Classified salaries	$ 6,255,847	$ 6,352,556	$ 96,709
Books and supplies	$ 2,371,509	$ 2,725,550	$ 354,041
Other outgo			
Excluding transfers of indirect costs	$ 327,441	$ 444,127	$ 116,686

SUPPLEMENTARY INFORMATION

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 265,289
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831	1,500
Title II, Part A, Teacher Quality	84.367	14341	65,699
Title III			
Title III, English Learner Student Program	84.365	14346	19,264
Title III, Immigrant Education Program	84.365	15146	45,076
Subtotal Title III			64,340
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	776,680
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	52,419
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	14,666
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	51,511
Subtotal Special Education Cluster			895,276
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	17,166
Total U. S. Department of Education			1,309,270
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	58,636
School Breakfast Program - Needy	10.553	13526	35,751
National School Lunch Program	10.555	13391	433,540
USDA Commodities	10.555	*	117,387
Subtotal Child Nutrition Cluster			645,314
Total U. S. Department of Agriculture			645,314
Total Federal Expenditures			$ 1,954,584

***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report #18CE7EF2	Annual Report #CE37F89A
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,383.29	1,382.37
Extended Year Special Education	0.97	0.97
Special Education - Nonpublic Schools	1.55	1.65
Extended Year Special Education - Nonpublic Schools	0.19	0.19
Total TK/K through Third	1,386.00	1,385.18
Fourth through Sixth		
Regular ADA	1,080.10	1,079.50
Extended Year Special Education	2.55	2.55
Special Education - Nonpublic Schools	4.30	4.64
Extended Year Special Education - Nonpublic Schools	0.25	0.25
Total Fourth through Sixth	1,087.20	1,086.94
Seventh through Eighth		
Regular ADA	731.58	736.28
Extended Year Special Education	1.81	1.81
Special Education - Nonpublic Schools	1.96	2.23
Extended Year Special Education - Nonpublic Schools	0.21	0.21
Total Seventh through Eighth	735.56	740.53
Ninth through Twelfth		
Regular ADA	1,435.23	1,425.90
Special Education - Nonpublic Schools	4.26	4.89
Extended Year Special Education - Nonpublic Schools	0.31	0.31
Total Ninth through Twelfth	1,439.80	1,431.10
TOTAL SCHOOL DISTRICT	4,648.56	4,643.75

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Kindergarten	36,000	36,785	180	Complied
Grade 1	50,400	51,480	180	Complied
Grade 2	50,400	51,480	180	Complied
Grade 3	50,400	51,480	180	Complied
Grade 4	54,000	54,270	180	Complied
Grade 5	54,000	54,270	180	Complied
Grade 6	54,000	61,400	180	Complied
Grade 7	54,000	61,400	180	Complied
Grade 8	54,000	61,400	180	Complied
Grade 9	64,800	65,670	180	Complied
Grade 10	64,800	65,670	180	Complied
Grade 11	64,800	65,670	180	Complied
Grade 12	64,800	65,670	180	Complied

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 50,689,133	$ 48,844,403	$ 48,660,801	$ 48,137,958
Expenditures And Other Financing Uses	49,495,786	49,412,358	48,507,323	48,283,042
Net change in Fund Balance	$ 1,193,347	$ (567,955)	$ 153,478	$ (145,084)
Ending Fund Balance	$ 8,046,600	$ 6,853,253	$ 7,421,208	$ 7,267,730
Available Reserves*	$ 3,962,142	$ 3,973,753	$ 3,617,527	$ 3,569,729
Available Reserves As A Percentage Of Outgo	8.01%	8.04%	7.46%	7.39%
Long-term Debt	$ 137,868,137	$ 142,616,698	$ 128,753,982	$ 94,883,788
Average Daily Attendance At P-2	4,649	4,649	4,649	4,593

The General Fund balance has decreased by $414,477 over the past two years. The fiscal year 2018-19 budget projects an increase of $1,193,347. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by $47,732,910 over the past two years.

Average daily attendance has increased by 56 ADA over the past two years. No change in ADA is anticipated during the 2018-19 fiscal year.

**Available reserves consist of all unassigned fund balance within the General Fund.*

***The actual revenues and expenditures reported in this schedule do not include STRS on behalf payments of $1,924,891.*

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	Child Care Enterprise Fund	Internal Service Fund
June 30, 2018, annual financial and budget report fund balance	$ 285,579	$ (1,955,129)
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Deferred outflows of resources related to pensions	510,336	-
Deferred outflows of resources related to OPEB	-	460,507
Net pension liability	(1,784,111)	-
Total OPEB liability	-	(11,249,800)
Deferred inflows of resources related to pensions	(54,393)	-
Net adjustments and reclassifications	(1,328,168)	(10,789,293)
June 30, 2018, audited financial statement fund balance	$ (1,042,589)	$ (12,744,422)

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS					
Cash and investments	$ 593,715	$ 1,772,280	$ 374,279	$ 3,760,809	$ 6,501,083
Accounts receivable	86,459	9,073	2,111	21,201	118,844
Stores inventory	21,134	-	-	-	21,134
Total Assets	$ 701,308	$ 1,781,353	$ 376,390	$ 3,782,010	$ 6,641,061
LIABILITIES					
Accrued liabilities	$ 55,953	$ -	$ -	$ 1,033	$ 56,986
Unearned revenue	97,522	-	-	-	97,522
Total Liabilities	153,475	-	-	1,033	154,508
FUND BALANCES					
Non-spendable	21,579	-	-	-	21,579
Restricted	526,254	-	376,390	3,780,977	4,683,621
Committed	-	1,781,353	-	-	1,781,353
Total Fund Balances	547,833	1,781,353	376,390	3,780,977	6,486,553
Total Liabilities and Fund Balance	$ 701,308	$ 1,781,353	$ 376,390	$ 3,782,010	$ 6,641,061

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES					
LCFF sources	$ -	$ 150,000	$ -	$ -	$ 150,000
Federal sources	645,314	-	-	-	645,314
Other state sources	37,631	-	-	-	37,631
Other local sources	1,108,257	25,983	116,677	648,224	1,899,141
Total Revenues	1,791,202	175,983	116,677	648,224	2,732,086
EXPENDITURES					
Current					
Pupil services					
Food services	1,738,712	-	-	-	1,738,712
General administration					
All other general administration	65,821	-	-	-	65,821
Plant services	-	163,009	-	17,313	180,322
Facilities acquisition and maintenance	-	-	122,934	36,219	159,153
Total Expenditures	1,804,533	163,009	122,934	53,532	2,144,008
NET CHANGE IN FUND BALANCE	(13,331)	12,974	(6,257)	594,692	588,078
Fund Balance - Beginning	561,164	1,768,379	382,647	3,186,285	5,898,475
Fund Balance - Ending	$ 547,833	$ 1,781,353	$ 376,390	$ 3,780,977	$ 6,486,553

See accompanying note to supplementary information.

The elementary and high school systems in South Pasadena were established in 1886. The District was restructured in 1952 when San Marino seceded from the high school and formed its own unified school district. South Pasadena, located in the central section of Los Angeles County, encompasses an area of approximately 3.47 square miles and serves an estimated population of 24,000. The District provides educational facilities for kindergarten through twelfth grade in five schools, consisting of three elementary schools, one middle school, and one senior high school.

GOVERNING BOARD

Member	Office	Term Expires
Jon Primuth	President	November 2020
Dr. Suzie Abajian	Clerk	November 2020
Dr. Michele Kipke	Member	November 2018
Julie Giulioni	Member	November 2018
Elisabeth Eilers	Member	November 2018

DISTRICT ADMINISTRATORS

Dr. Geoff Yantz
Superintendent

David Lubs
Assistant Superintendent, Business Services

Karen Reed
Assistant Superintendent, Human Resources

Christiane Gervais
Assistant Superintendent, Instructional Services

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District did not elect to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

These statements provide information on the District’s non-major funds.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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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*

Independent Auditors' Report

Governing Board
South Pasadena Unified School District
South Pasadena, 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 business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of South Pasadena Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the South Pasadena Unified School District's basic financial statements, and have issued our report thereon dated November 20, 2018.

Our report includes a reference to other auditors who audited the financial statements of the South Pasadena Educational Foundation (the discretely presented component unit), as described in our report on South Pasadena Unified 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. The financial statements of the South Pasadena Educational Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Christy White Associates

San Diego, California
November 20, 2018

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
South Pasadena Unified School District
South Pasadena, California

Report on Compliance for Each Major Federal Program

We have audited South Pasadena Unified 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 South Pasadena Unified School District's major federal programs for the year ended June 30, 2018. South Pasadena Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 South Pasadena Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance requires 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 South Pasadena Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Pasadena Unified School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Christy White Associates

San Diego, California
November 20, 2018

christy white
A PROFESSIONAL ACCOUNTANCY CORPORATION
associates

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
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Licensed by the California State Board of Accountancy

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
South Pasadena Unified School District
South Pasadena, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Pasadena Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards 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 state programs noted below occurred. An audit includes examining, on a test basis, evidence about South Pasadena Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of South Pasadena Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, South Pasadena Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not applicable
Continuation Education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable
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
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
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
Attendance; for charter schools	Not applicable
Mode of Instruction; for charter schools	Not applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not applicable
Charter School Facility Grant Program	Not applicable

Christy White Associates

San Diego, California
November 20, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
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?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2018.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2018.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2018.

There were no findings for the year ended June 30, 2017.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate"), dated December 12, 2019, is executed and delivered by the South Pasadena Unified School District (the "Issuer") in connection with the issuance of the $49,995,000 South Pasadena Unified School District (Los Angeles County, California) Election of 2016 General Obligation Bonds, Series B (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Issuer adopted on October 15, 2019 (the "Resolution") and a resolution adopted by the Board of Supervisors of Los Angeles County on October 29, 2019. The Issuer covenants and agrees as follows:

SECTION 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean either of the Superintendent or the Assistant Superintendent, Administrative Services of the Issuer, or either of their designees, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean, initially, Keygent LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Listed Events" shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Official Statement" shall mean the Official Statement for the Bonds dated November 19, 2019.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than the last day of the ninth month (currently March 31) after the end of the Issuer's fiscal year, commencing with the report for the fiscal year ending June 30, 2019, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. 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 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Dissemination Agent of a change in the fiscal year dates. The Issuer 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If the Dissemination Agent is other than the Issuer, not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice in a timely manner to the MSRB substantially in the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

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

(a) (i) The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended; (ii) the most recently adopted budget of the Issuer and, if required to be prepared and filed, the First Interim Report for the current fiscal year; and (iii) an update of the information contained in Tables 1 through 4 and 10 contained under the headings "TAX BASE FOR REPAYMENT OF THE SERIES B BONDS" and "DISTRICT FINANCIAL MATTERS" in the Official Statement for the Bonds. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the MSRB in the manner provided in Section 5(g), including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) 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 Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

(1) principal and interest payment delinquencies;

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

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

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

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

(6) tender offers;

(7) defeasances;

(8) ratings changes;

(9) bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(10) 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) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) unless described in Section 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

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

(3) appointment of a successor or additional trustee or the change of the name of a trustee;

(4) nonpayment related defaults;

(5) modifications to the rights of Owners of the Bonds;

(6) bond calls;

(7) release, substitution or sale of property securing repayment of the Bonds; and

(8) incurrence of a financial obligation of the obligated person, or agreement to covenant, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Owners of the Bonds.

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

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Event described in Section 5(b)(6) need not be given under Sections 5(d) or (f) any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

(h) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "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 MSRB consistent with the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Keygent LLC. The Dissemination Agent may resign by providing thirty days written notice to the Issuer and the Paying Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, in writing, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent (if other than the Issuer) an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Certificate may be amended in writing with respect to the Bonds, upon obtaining consent of Owners at least 25% in aggregate principal of the Bonds then outstanding; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report 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. Such comparison shall include a quantitative and, to the extent reasonably feasible, 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.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Certificate. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Owner 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 Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer 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 Issuer 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 Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owner's, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: Superintendent
South Pasadena Unified School District
1020 El Centro Street
South Pasadena, California 91030

SOUTH PASADENA UNIFIED SCHOOL DISTRICT

By: ____

Its: Superintendent

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	South Pasadena Unified School District
Names of Issue:	South Pasadena Unified School District (Los Angeles County, California) Election of 2016 General Obligation Bonds, Series B (Federally Taxable)
Date of Issuance:	December 12, 2019

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate, dated December 12, 2019, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by __________.

Date: __________

_____________________, Dissemination Agent

By ____
Authorized Officer

APPENDIX D

CITY OF SOUTH PASADENA AND COUNTY OF LOS ANGELES GENERAL AND ECONOMIC DATA

The following information concerning the City of South Pasadena (the "City"), the County of Los Angeles (the "County") and the State of California (the "State") are presented as general background information. The Series B Bonds are not an obligation of the City, the County or the State and the taxing the power of the City, the County and the State are not pledged to the payment of the Series B Bonds.

The District has not independently verified the information set forth in this Appendix D and while this information is believed to be reliable, it is not guaranteed as to accuracy by the District.

General – South Pasadena

The City encompasses approximately 3.4 square miles and is located in the western end of the San Gabriel Valley with the neighboring cities of Los Angeles, Pasadena San Marino and Alhambra. The City was incorporated in 1888 and operates in the council-manager form of government. Each of the five (5) City Council members is elected in an at-large election for alternating four year terms.

Population

The following table offers population figures for the City, the County and the State for January 1, 2015 through January 1, 2019.

Area	***2015***	***2016***	***2017***	***2018***	***2019***
South Pasadena	26,369	26,337	26,315	26,276	26,245
Los Angeles County	10,155,753	10,185,851	10,226,920	10,254,658	10,253,716
State of California	38,952,462	39,214,803	39,504,609	39,740,508	39,927,315

Source: State of California, Department of Finance E-4 Population Estimates for Cities, Counties and State, 2011-2019, with 2010 Benchmark, Sacramento, California, May 2019.

Construction Activity

The following table shows building permit valuations and new housing units in the City for 2014 through 2018.

CITY OF SOUTH PASADENA
Building Permit Valuation and New Housing Units

	2014	*2015*	*2016*	*2017*	*2018*
Residential					
Single Family	$ 450,000	$ 1,071,000	$ 687,000	$ 3,309,000	$ 1,248,000
Multi-Family	0	942,346	406,000	3,448,000	0
Alteration/Additions	10,448,081	10,795,418	11,098,580	6,695,244	10,238,556
Total	$ 10,898,081	$ 12,808,764	$ 12,191,580	$ 13,452,244	$ 11,486,556
Non-Residential					
New Commercial	$ 0	$ 75,000	$ 0	$ 3,158,000	$ 0
New Industry	0	0	0	0	0
Other[(1)]	13,041,200	352,000	448,000	923,000	1,643,400
Alteration/Additions	258,000	2,853,346	699,200	802,100	469,850
Total	$ 13,299,200	$ 3,280,346	$ 1,147,200	$ 4,883,100	$ 2,113,250
Total All Industry[(2)]	$ 24,197,281	$ 16,089,110	$ 13,338,780	$ 18,335,344	$ 13,599,806
New Housing Units					
Single Family Units	2	2	2	6	5
Multi-Family Units	0	3	2	13	0
Total	2	5	4	19	5

(1) Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.
(2) May not add up due to rounding.
Source: Construction Industry Research Board.

Employment

The following table sets forth the top ten major employers located in the City during 2018.

CITY OF SOUTH PASADENA
MAJOR EMPLOYERS
(2018)

Name	*Employees*	*Type of business or entity*
South Pasadena Care Center, LLC	140	Assisted Living/Rehabilitation Facility
The Vons Companies Inc. Pavillions	100	Grocery Stores
Trader Joe's	97	Grocery Stores
Ralph's Grocery Co.	92	Grocery Stores
VCA TLC Pasadena Veterinary Specialty	91	Veterinary Services
Bristol Farms	78	Grocery Stores
Collins, Collins, Muir & Stewart, LLP	63	Law Firm
City of Hope South Pasadena	61	Treatment Center
WNC Insurance Services, Inc.	60	Insurance Underwriting Services
The Vons Companies Inc.	57	Grocery Stores

Source: City of South Pasadena, Comprehensive Annual Financial Report – Year Ending June 30, 2018.

Employment and Industry

Los Angeles-Long Beach-Glendale Metropolitan Division civilian labor force and wage and salary employment figures for calendar years 2014 through 2018 are shown in the following table.

Los Angeles-Long Beach-Glendale Metropolitan Division
Industry Employment & Labor Force - by Annual Average

Title	*2014*	*2015*	*2016*	*2017*	*2018*
Civilian Labor Force	4,992,600	4,989,800	5,041,400	5,096,500	5,136,300
Civilian Employment	4,580,300	4,659,700	4,776,700	4,853,800	4,896,500
Civilian Unemployment	412,300	330,100	264,800	242,700	239,800
Civilian Unemployment Rate	8.3%	6.6%	5.3%	4.8%	4.7%
Total Farm	5,200	5,000	5,300	5,700	4,800
Total Nonfarm	4,192,600	4,285,800	4,394,600	4,448,300	4,510,100
Total Private	3,636,500	3,717,300	3,817,900	3,862,200	3,920,500
Goods Producing	493,100	497,300	497,100	490,300	491,600
Natural Resources and Mining	3,100	2,900	2,400	2,000	1,900
Construction	118,500	126,100	133,900	138,400	146,000
Manufacturing	371,500	368,200	360,800	349,900	343,700
Durable Goods	208,800	208,200	203,40	202,100	202,900
Nondurable Goods	162,700	160,000	157,400	147,700	140,800
Service Providing	3,699,500	3,788,500	3,897,400	3,958,000	4,018,500
Private Service Producing	3,143,300	3,220,000	3,320,800	3,371,900	3,428,900
Trade, Transportation and Utilities	804,500	822,200	835,600	845,700	850,900
Wholesale Trade	2019,600	222,400	222,100	221,500	222,800
Retail Trade	415,700	422,200	424,600	426,100	425,300
Transportation, Warehousing and Utilities	169,300	177,600	188,900	198,200	202,800
Information	198,900	207,600	229,400	214,900	217,400
Financial Activities	211,200	215,600	219,800	221,600	223,000
Professional and Business Services	589,100	591,000	600,100	608,800	620,000
Educational and Health Services	725,000	745,900	772,700	800,600	823,600
Leisure and Hospitality	464,100	486,600	510,000	524,600	534,300
Other Services	150,500	151,000	153,300	155,700	159,700
Government	556,200	568,500	576,700	586,100	589,600
Total, All Industries	4,197,800	4,290,700	4,399,900	4,454,000	4,514,900

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles-Long Beach-Glendale Metropolitan Division, Industry Employment & Labor Force - by Annual Average, March 2018 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the years 2014 through 2018 for the City, the County, the State and the nation as a whole.

CITY OF SOUTH PASADENA, LOS ANGELES COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment

Year and Area	*Civilian Labor Force*	*Civilian Employment*(1)	*Civilian Unemployment*(2)	*Civilian Unemployment Rate*(3)
2014				
City of South Pasadena	14,600	13,800	900	5.9%
Los Angeles County	4,992,600	4,580,300	412,300	8.3
California	18,714,700	17,310,900	1,403,800	7.5
United States(4)	155,922,000	146,305,000	9,617,000	6.2
2015				
City of South Pasadena	14,600	13,900	700	4.7%
Los Angeles County	4,989,800	4,659,700	330,100	6.6
California	18,851,100	17,681,800	1,169,200	6.2
United States(4)	157,130,000	148,834,000	8,296,000	5.3
2016				
City of South Pasadena	14,800	14,200	600	4.2%
Los Angeles County	5,041,400	4,776,700	264,800	5.3
California	19,044,500	18,002,800	1,041,700	5.5
United States(4)	159,187,000	151,436,000	7,751,000	4.9
2017				
City of South Pasadena	14,900	14,400	600	3.8%
Los Angeles County	5,096,500	4,853,800	242,700	4.8
California	19,205,300	18,285,500	919,800	4.8
United States(4)	160,320,000	153,337,000	6,982,000	4.4
2018				
City of South Pasadena	15,100	14,500	600	3.9%
Los Angeles County	5,136,300	4,896,500	239,800	4.7
California	19,398,200	18,582,800	815,400	4.2
United States(4)	162,075,000	155,761,000	6,314,000	3.9

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.
Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

Retail Sales

The table below presents the City's retail permits and transactions for calendar years 2014 through 2018.

CITY OF SOUTH PASADENA
Taxable Transactions For Years 2014 through 2018
(Dollars in Thousands)

Year	*Retail Permits*	*Retail Stores Taxable Transactions*	*Total Permits*	*Total Taxable Transactions*
2014	465	$164,969	664	$191,211
2015	449	166,084	718	192,134
2016	457	162,273	754	189,014
2017	446	165,962	731	193,800
2018	453	168,448	730	196,613

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization for 2014. Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2018.

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series E Bonds, payment of principal, premium, if any, accreted value and interest on the Series E Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series E Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series E Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES E BONDS, 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 NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES E BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX F

LOS ANGELES COUNTY TREASURER'S
STATEMENT OF INVESTMENT POLICY

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COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437, Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and lacountypropertytax.com

JOSEPH KELLY
TREASURER AND TAX COLLECTOR

March 19, 2019

28 March 19, 2019

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

DELEGATION OF AUTHORITY TO INVEST AND
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR
INVESTMENT POLICY
(ALL DISTRICTS) (3-VOTES)

SUBJECT

Delegation of authority to invest and reinvest County funds and funds of other depositors in the County Treasury to the Treasurer, and adoption of the Treasurer and Tax Collector Investment Policy.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate the authority to the Treasurer to invest and reinvest County funds and funds of other depositors in the County Treasury.

2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions allow the Treasurer to continue to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. On March 20, 2018, pursuant to Government Code Section 27000.1, and subject to Government Code Section 53607, your Board delegated to the Treasurer the annual authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury. Government Code Section 27000.1 states that subsequent to your Board's delegation, the county treasurer shall thereafter assume full responsibility for those transactions until your Board either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607. This action requests renewal of the annual delegation.

Government Code Section 53646 permits your Board to annually approve the Investment Policy. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. These objectives align with those in State law. Each year, my office reviews the Investment Policy to ensure that it aligns with any changes in the Government Code. Based on our analysis, we do not recommend any changes to the Investment Policy. Nevertheless, we have provided the annual update to the limitation calculation for intermediate-term, medium-term, and long-term holdings in Attachment II.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

FISCAL IMPACT/FINANCING

The investment of surplus County funds and funds of other depositors allows these funds to earn a return which is credited to the depositor, net of administrative expenses.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Pursuant to Government Code Section 27000.1, your Board may delegate by ordinance the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer. On January 23, 1996, your Board adopted Ordinance 96-0007 addingLos Angeles County Code Section 2.52.025 which delegated such authority to the Treasurer, subject to annual renewal pursuant to Government Code Section 53607.

Government Code Section 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This Government Code Section also requires that any change in the Investment Policy be submitted to your Board for review and approval at a public meeting.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

Respectfully submitted,

Joseph Kelly

Treasurer and Tax Collector

JK:NI:JNK:bp

Enclosures

c: Chief Executive Officer
Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Los Angeles County Office of Education
Los Angeles Community College District

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of other depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted periodically to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed $500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of accrued interest, at the time of transfer and the purchase price, exclusive of accrued interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, and III (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is a range between 1.0 and 2.0 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last 36 months' average total cash and investments, after adjustments, as indicated in Attachment II.

Business Continuity Plan

The Treasurer's Business Continuity Plan (BCP) serves to sustain the performance of mission-critical Treasury functions in the event of a local or widespread disaster. The BCP includes written guidelines to perform critical Treasury functions, contact information for key personnel, authorized bank representatives and broker/dealers. The plan provides for an offsite location in the event the Treasurer's offices are uninhabitable. The Treasurer's Office implemented its BCP in 2007.

The Treasurer's Office shall perform regularly scheduled BCP exercises at the offsite location. To prepare Treasury staff for emergency processing, staff shall participate in the BCP exercises on a rotating basis.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within 90 days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next 90 days plus projected PSI deposits for 90 days, divided by the projected PSI withdrawals for 90 days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of 30 days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or his authorized designees, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.
- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.

- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealers Section

Broker/Dealers SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealers with minimum capitalization of $500 million and who meet all five of the below listed criteria:

    1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

    2. Be a member of the Financial Industry Regulatory Authority and;

    3. Be registered with the Securities and Exchange Commission and;

    4. Have been in operation for more than five years; and

5. Have a minimum annual trading volume of $100 billion in money market instruments or $500 billion in United States (U.S.) Treasuries and Agencies.

B. Emerging firms that meet all of the following:

1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a Federally regulated securities exchange and;

2. Maintain office(s) in California and;

3. Maintain a minimum capitalization of $250,000 and, at the time of application, have a maximum capitalization of no more than $10 million.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

A. Confirmation of daily trade transactions and all open trades in effect at month-end.

B. Response to auditor requests for confirmation of investment transactions.

C. Response to the Internal Controls Branch requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to post government employment of County officials.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding $100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes. Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the U.S. Government, its agencies and instrumentalities

1. Maximum maturity: None.

2. Maximum total par value: None.

3. Maximum par value per issuer: None.

4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment III)

1. Maximum maturity: As limited in Attachment III.

2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.

2. Maximum total par value: 20% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

4. All Asset-Backed securities must be rated in a rating category of “AA” or its equivalent or better rating and the issuer's corporate debt rating must be in a rating category of “A” or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

D. Bankers’ Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. The aggregate total of Bankers’ Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders’ equity of depository bank.

   b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Must be issued by:

    a) National or State-chartered bank, or

    b) Savings association or Federal association, or

    c) Federal or State credit union, or

    d) Federally licensed or State-licensed branch of a foreign bank.

5. Euro CD's:

    a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

    b) Maximum total par value: 10% of the PSI portfolio.

    c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

    d) Limited to London branch of National or State-chartered banks.

6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

    a) The total shareholders' equity of depository bank.

    b) The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Notes MUST be issued by:

   a) Corporations organized and operating within the U.S.

   b) Depository institutions licensed by the U.S or any State and operating within the U.S.

5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Benchmarks SHALL be limited to commercially available U.S. dollar denominated indexes.

5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:

   a) Specific basis for the benchmark rate.

   b) Specific computation for the benchmark rate.

   c) Specific reset period.

d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer’s current credit rating.

4. Credit: Issuing Corporation - Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

   a) The entity meets the following criteria:

      1) Is organized and operating in the U.S. as a general corporation.

      2) Has total assets in excess of $500 million.

      3) Has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by a NRSRO.

   b) The entity meets the following criteria:

      1) Is organized in the U.S. as a Limited Liability Company or Special Purpose Corporation.

      2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

      3) Has commercial paper that is rated “A-1”or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by

diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

a) Attained the highest possible rating by not less than two NRSROs.

b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars ($500,000,000).

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.

3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

   a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

   b) The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

   c) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

J. Repurchase Agreement

1. Maximum maturity: 30 days.

2. Maximum total par value: $1 billion.

3. Maximum par value per dealer: $500 million.

4. Agreements must be in accordance with approved written master repurchase agreement.

5. Agreements must be fully secured by obligations of the U.S. Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.

2. Maximum total par value: $500 million. Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Maximum par value per broker: $250 million.

4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.

6. Agreements must be in accordance with approved written master repurchase agreement.

7. Securities eligible to be sold with a simultaneous agreement to repurchase

SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

8. The security to be sold on a reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.

11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.

2. Maximum aggregate par value: $100 million.

3. Maximum par value per counterparty: $50 million. Counterparties for Forward

and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated “A” or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the U.S. Government and its agencies and instrumentalities.

5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed $100,000 for each occurrence or exceed a total of $250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.

6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.

7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Branch.

8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating.

Further, the counterparty to such an agreement SHALL be rated “A” or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated “A” or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.

2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

4. Agreements SHALL only be made for the purpose of enhancing investment revenue.

5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the U.S. Government and its agencies and instrumentalities.

6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

O. Supranationals

Supranationals are multilateral lending institutions that provide development financing, advisory services and other financial services to their member countries to promote improved living standards through sustainable economic growth.

Supranational investments are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in Government Code Section 53601(q), with a maximum remaining maturity of five years or less, and which are eligible for purchase and sale within the United States. Supranational investments shall be rated in a rating category of “AA” or its equivalent or better by a NRSRO and shall not exceed 30% of the PSI portfolio.

1. Maximum maturity: Five years and limits outlined in Attachment I for issuer’s current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer’s current credit rating.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT 1 a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Investment Type	Maximum Maturity	S&P	Moody's	Fitch	Investment Limit
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$750MM
		A-1/AA	P-1/Aa	F1/AA	$600MM
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)	Corporate: 3 years ABS: 5 years FRN: 5 years (1)	A-1/AAA	P-1/Aaa	F1/AAA	$750MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$600MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$450MM, of which 50% may be over 90 days to a maximum of 180 days

Note: All domestic issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT 1 b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Investment Type	Maximum Maturity	S&P	Moody's	Fitch	Investment Limit
Bankers' Acceptance	180 days	A-1/AAA	P-1/Aaa	F1/AAA	$600MM
		A-1/AA	P-1/Aa	F1/AA	$450MM
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days.
Certificates of Deposit	3 years	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days
Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN) (1)	Corporate: 3 years ABS: 5 years FRN: 5 years (1)	A-1/AAA	P-1/Aaa	F1/AAA	$600MM, of which 50% may be over 180
		A-1/AA	P-1/Aa	F1/AA	$450MM, of which 50% may be over 180
		A-1/A	P-1/A	F1/A	$300MM, of which 50% may be over 90 days to a maximum of 180 days

Note: All foreign issuers must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's, and Fitch).

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT 1 c.

MINIMUM CREDIT RATING
SUPRANATIONAL ISSUERS

Issuer Rating (1)			Limit (2)
S&P	**Moody's**	**Fitch**	
AAA	Aaa	aaa	30% of PSI Portfolio, of which 20% of the PSI Portfolio may be between 2 and 5 years.
AA	Aa	aa	20% of PSI Portfolio, of which 10% of the PSI Portfolio may be between 2 and 5 years.

(1) The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).
(2) Maximum combined par value for all issuers is limited to 30% of the PSI portfolio.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHEMENT 1 d.

MINIMUM CREDIT RATING
COMMERCIAL PAPER

Maximum Maturity	S&P	Moody's	Fitch	Investment Limit
270 days	A-1/AAA A-1/AA A-1/A	P-1/Aaa P-1/Aa P-1/A	F1/AAA F1/AA F1/A	$1.5 Billion $1 Billion $750 MM

Note: The issuer must attain the required ratings from at least two of the three Nationally Recognized Statistical Rating Organizations (S&P, Moody's and Fitch).

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT II

LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual $)

Average Investment Balance and Available Cash (1)	$28,964,136,457
Less:	
▪ 50% of Discretionary Deposits (1)	($1,132,949,913.70)
Average Available Balance	$27,831,186,543
Multiplied by the Percent Available for Investment Over One Year	75%
Equals the Available Balance for Investment Over One Year	$20,873,389,908
Intermediate-Term (From 1 to 3 Years) ▪ One-third of the Available Balance for Investment	$6,957,796,636
Medium-Term and Long-Term (Greater Than 3 Years) ▪ Two-thirds of Available Balance for Investment (2)	$13,915,593,272

(1) 36 Month Average from January 2016 to December 2018.
(2) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s) or “A-” (Standard and Poor’s or Fitch). The maximum maturity is limited to 30 years.

2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s rating of “MIG-1” or “A2” or a minimum Standard and Poor’s rating of “SP-1” or “A.” Maximum maturity limited to five years.

APPENDIX G

COUNTY INVESTMENT POOL MONTHLY REPORT

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of September 30, 2019, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$9.752
Schools and Community Colleges	14.765
Discretionary Participants	2.810
Total	$27.327

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	89.72%
Discretionary Participants:	
Independent Public Agencies	9.78%
County Bond Proceeds and Repayment Funds	0.50%
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated October 31, 2019, the September 30, 2019, book value of the Treasury Pool was approximately $27.327 billion, and the corresponding market value was approximately $27.312 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2019:

Type of Investment	**% of Pool**
Certificates of Deposit	6.04
U.S. Government and Agency Obligations	66.01
Bankers Acceptances	0.00
Commercial Paper	27.40
Municipal Obligations	0.18
Corporate Notes & Deposit Notes	0.37
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of September 30, 2019, approximately 36% of the investments mature within 60 days, with an average of 539 days to maturity for the entire portfolio.

APPENDIX H

DISTRICT'S 2018-19 AUDITED FINANCIAL STATEMENTS

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SOUTH PASADENA UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2019

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
South Pasadena Unified School District
South Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the South Pasadena Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the South Pasadena Unified School 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 South Pasadena Educational Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Pasadena Educational Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Pasadena Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019 on our consideration of South Pasadena Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Pasadena Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Pasadena Unified School District's internal control over financial reporting and compliance.

Christy White, Inc

San Diego, California
November 11, 2019

INTRODUCTION

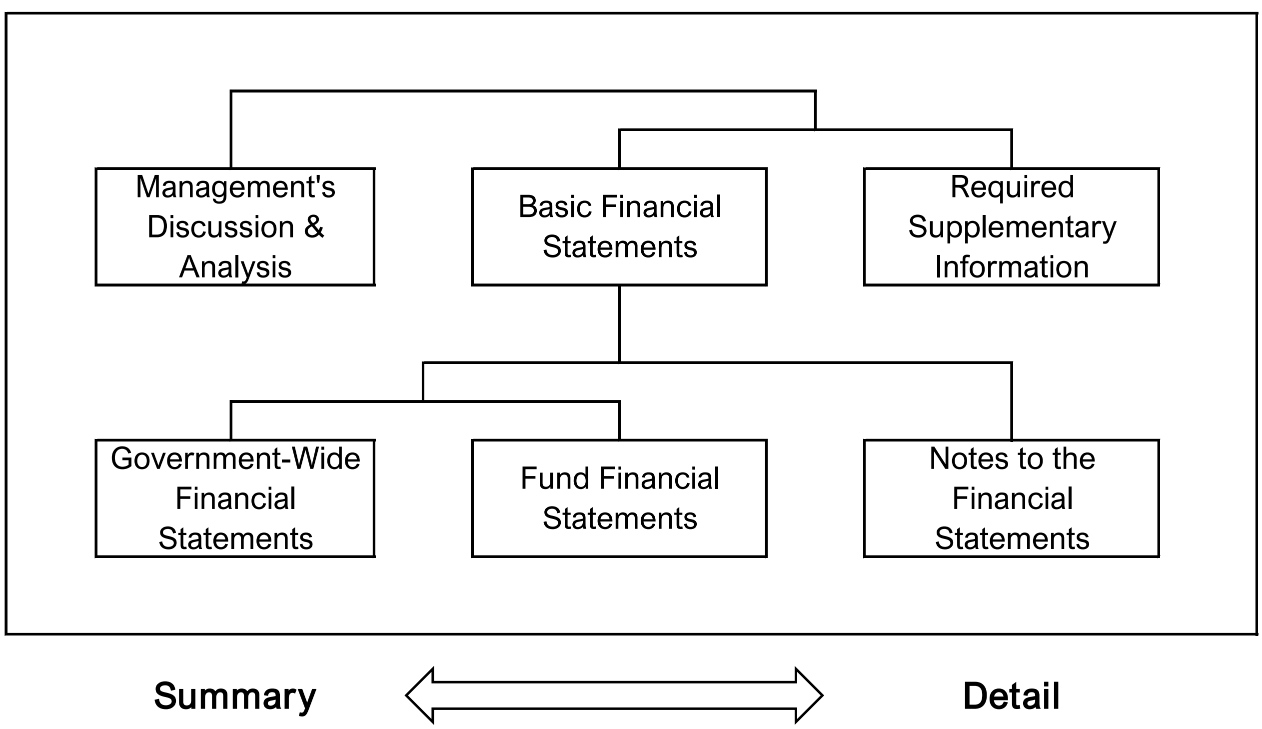
Our discussion and analysis of South Pasadena Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $(9,776,981) at June 30, 2019. This was a decrease of $531,288 from the prior year.
- Overall revenues were $65,555,974 which was less than expenses of $66,087,262.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

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

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

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

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

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

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

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's total net position was ($9,776,981) at June 30, 2019, as reflected in the table below. Of this amount, ($65,063,661) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2019	2018	Net Change	2019	2018	Net Change
ASSETS						
Current and other assets	$ 37,990,850	$ 46,024,124	$ (8,033,274)	$ 627,902	$ 398,849	$ 229,053
Capital assets	86,321,072	81,282,282	5,038,790	-	-	-
Total Assets	124,311,922	127,306,406	(2,994,484)	627,902	398,849	229,053
DEFERRED OUTFLOWS OF RESOURCES	14,915,934	16,748,822	(1,832,888)	461,888	510,336	(48,448)
LIABILITIES						
Current liabilities	9,206,929	10,591,813	(1,384,884)	116,274	113,270	3,004
Long-term liabilities	134,180,018	137,868,137	(3,688,119)	1,871,524	1,784,111	87,413
Total Liabilities	143,386,947	148,459,950	(5,073,003)	1,987,798	1,897,381	90,417
DEFERRED INFLOWS OF RESOURCES	4,651,085	3,798,382	852,703	68,797	54,393	14,404
NET POSITION						
Net investment in capital assets	38,980,417	36,610,047	2,370,370	-	-	-
Restricted	16,306,263	16,044,671	261,592	-	-	-
Unrestricted	(64,096,856)	(60,857,822)	(3,239,034)	(966,805)	(1,042,589)	75,784
Total Net Position	$ (8,810,176)	$ (8,203,104)	$ (607,072)	$ (966,805)	$ (1,042,589)	$ 75,784

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges the numbers slightly, so you can see our total revenues and expenses.

	Governmental Activities			Business-Type Activities		
	2019	2018	Net Change	2019	2018	Net Change
REVENUES						
Program revenues						
Charges for services	$ 1,761,390	$ 1,456,557	$ 304,833	$ 1,673,825	$ 1,591,099	$ 82,726
Operating grants and contributions	8,721,445	6,241,747	2,479,698	-	-	-
Capital grants and contributions	28,932	50,054	(21,122)	-	-	-
General revenues						
Property taxes	21,208,254	20,564,254	644,000	-	-	-
Unrestricted federal and state aid	31,100,638	30,699,831	400,807	-	-	-
Other	1,054,724	861,476	193,248	6,766	3,262	3,504
Total Revenues	63,875,383	59,873,919	4,001,464	1,680,591	1,594,361	86,230
EXPENSES						
Instruction	37,778,790	35,247,545	2,531,245	-	-	-
Instruction-related services	6,407,480	5,740,733	666,747	-	-	-
Pupil services	5,699,976	5,058,340	641,636	-	-	-
General administration	3,416,005	3,272,056	143,949	-	-	-
Plant services	7,055,556	7,024,007	31,549	-	-	-
Ancillary and community services	555,111	526,921	28,190	-	-	-
Debt service	3,118,625	3,173,239	(54,614)	-	-	-
Other outgo	450,912	339,249	111,663	-	-	-
Enterprise activities	-	-	-	1,604,807	1,545,340	59,467
Total Expenses	64,482,455	60,382,090	4,100,365	1,604,807	1,545,340	59,467
Change in net position	(607,072)	(508,171)	(98,901)	75,784	49,021	26,763
Net Position - Beginning	(8,203,104)	(7,694,933)	(508,171)	(1,042,589)	(1,091,610)	49,021
Net Position - Ending	$ (8,810,176)	$ (8,203,104)	$ (607,072)	$ (966,805)	$ (1,042,589)	$ 75,784

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's governmental functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2019	2018
Instruction	$ 32,185,900	$ 32,194,797
Instruction-related services	6,098,845	5,525,434
Pupil services	3,085,161	2,705,266
General administration	3,311,886	3,226,410
Plant services	6,188,885	5,763,987
Ancillary and community services	546,946	519,867
Debt service	3,118,625	3,173,239
Transfers to other agencies	(565,560)	(47,568)
Total Expenses	$ 53,970,688	$ 53,061,432

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $32,616,775, which is less than last year's ending fund balance of $39,623,652. The District's General Fund had $1,222,890 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Building Fund had $7,330,463 less in operating revenues than expenditures for the year ended June 30, 2019. The District's Bond Interest and Redemption Fund had $521,211 less in operating revenues than expenditures for the year ended June 30, 2019.

CURRENT YEAR BUDGET 2018-19

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2018-2019 the District had invested $86,321,072 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2019	2018	Net Change
CAPITAL ASSETS			
Land	$ 6,138,461	$ 6,138,461	$ -
Construction in progress	2,989,518	8,047,314	(5,057,796)
Land improvements	5,999,597	5,999,597	-
Buildings & improvements	105,602,551	92,983,582	12,618,969
Furniture & equipment	1,453,399	1,423,087	30,312
Accumulated depreciation	(35,862,454)	(33,309,759)	(2,552,695)
Total Capital Assets	$ 86,321,072	$ 81,282,282	$ 5,038,790

Long-Term Liabilities

At year-end, the District had $136,051,542 in total long-term liabilities, a decrease of 2.58% from last year's balance – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2019	2018	Net Change	2019	2018	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	$ 71,510,509	$ 76,385,294	$ (4,874,785)	$ -	$ -	$ -
Compensated absences	322,904	280,335	42,569	-	-	-
Total OPEB liability	15,377,705	14,635,274	742,431	-	-	-
Net pension liability	51,562,855	51,315,795	247,060	1,871,524	1,784,111	87,413
Less: current portion of long-term liabilities	(4,593,955)	(4,748,561)	154,606	-	-	-
Total Long-term Liabilities	$ 134,180,018	$ 137,868,137	$ (3,688,119)	$ 1,871,524	$ 1,784,111	$ 87,413

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus $3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (626) 441-5810, ext. 1110.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total	July 31, 2018 Discretely Presented Component Unit
ASSETS				
Cash and investments	$ 35,549,384	$ 370,478	$ 35,919,862	$ 1,575,485
Accounts receivable	2,413,403	257,424	2,670,827	-
Inventory	28,063	-	28,063	-
Prepaid expenses	-	-	-	6,247
Capital assets, not depreciated	9,127,979	-	9,127,979	-
Capital assets, net of accumulated depreciation	77,193,093	-	77,193,093	-
Total Assets	124,311,922	627,902	124,939,824	1,581,732
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	13,287,139	461,888	13,749,027	-
Deferred amount on refunding	1,628,795	-	1,628,795	-
Total Deferred Outflows of Resources	14,915,934	461,888	15,377,822	-
LIABILITIES				
Accrued liabilities	4,438,046	116,274	4,554,320	611,695
Unearned revenue	174,928	-	174,928	-
Long-term liabilities, current portion	4,593,955	-	4,593,955	-
Long-term liabilities, non-current portion	134,180,018	1,871,524	136,051,542	-
Total Liabilities	143,386,947	1,987,798	145,374,745	611,695
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	4,099,348	68,797	4,168,145	-
Deferred inflows related to OPEB	551,737	-	551,737	-
Total Deferred Inflows of Resources	4,651,085	68,797	4,719,882	-
NET POSITION				
Net investment in capital assets	38,980,417	-	38,980,417	-
Restricted:				
Capital projects	5,202,138	-	5,202,138	-
Debt service	6,426,790	-	6,426,790	-
Educational programs	4,090,250	-	4,090,250	-
All others	587,085	-	587,085	-
Unrestricted	(64,096,856)	(966,805)	(65,063,661)	970,037
Total Net Position	$ (8,810,176)	$ (966,805)	$ (9,776,981)	$ 970,037

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Total	July 31, 2018 Discretely Presented Component Unit
GOVERNMENTAL ACTIVITIES								
Instruction	$ 37,778,790	$ 296,649	$ 5,267,309	$ 28,932	$ (32,185,900)			
Instruction-related services								
Instructional supervision and administration	1,463,066	26,319	271,038	-	(1,165,709)			
Instructional library, media, and technology	1,462,072	5	68	-	(1,461,999)			
School site administration	3,482,342	741	10,464	-	(3,471,137)			
Pupil services								
Home-to-school transportation	522,468	22,829	156,475	-	(343,164)			
Food services	1,954,199	1,185,386	697,482	-	(71,331)			
All other pupil services	3,223,309	34,102	518,541	-	(2,670,666)			
General administration								
Centralized data processing	107,624	-	-	-	(107,624)			
All other general administration	3,308,381	48,764	55,355	-	(3,204,262)			
Plant services	7,055,556	63,687	802,984	-	(6,188,885)			
Ancillary services	514,604	293	3,694	-	(510,617)			
Community services	40,507	307	3,871	-	(36,329)			
Interest on long-term debt	3,118,625	-	-	-	(3,118,625)			
Other outgo	450,912	82,308	934,164	-	565,560			
Total Governmental Activities	$ 64,482,455	$ 1,761,390	$ 8,721,445	$ 28,932	(53,970,688)			
BUSINESS-TYPE ACTIVITIES								
Enterprise activities	1,604,807	1,673,825	-	-		$ 69,018		
Total Business-Type Activities	1,604,807	1,673,825	-	-		69,018		
Total School District	$ 66,087,262	$ 3,435,215	$ 8,721,445	$ 28,932			$ (53,901,670)	
DISCRETELY PRESENTED COMPONENT UNIT								
Summer school program	$ 945,293	$ 1,517,263	$ -	$ -				$ 571,970
Grant to district	706,914	-	395,926	-				(310,988)
Administration	92,029	-	-	-				(92,029)
Fundraising	136,306	-	-	-				(136,306)
Total	$ 1,880,542	$ 1,517,263	$ 395,926	$ -				32,647
General revenues								
Taxes and subventions								
Property taxes, levied for general purposes					11,610,906	-	11,610,906	-
Property taxes, levied for debt service					7,228,692	-	7,228,692	-
Property taxes, levied for other specific purposes					2,368,656	-	2,368,656	-
Federal and state aid not restricted for specific purposes					31,100,638	-	31,100,638	-
Interest and investment earnings					259,726	6,766	266,492	1,957
Miscellaneous					794,998	-	794,998	229,805
Subtotal, General Revenue					53,363,616	6,766	53,370,382	231,762
CHANGE IN NET POSITION					(607,072)	75,784	(531,288)	264,409
Net Position - Beginning					(8,203,104)	(1,042,589)	(9,245,693)	705,628
Net Position - Ending					$ (8,810,176)	$ (966,805)	$ (9,776,981)	$ 970,037

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 9,259,245	$ 9,825,170	$ 7,247,056	$ 7,644,500	$ 33,975,971
Accounts receivable	2,100,648	55,194	-	249,607	2,405,449
Stores inventory	-	-	-	28,063	28,063
Total Assets	$ 11,359,893	$ 9,880,364	$ 7,247,056	$ 7,922,170	$ 36,409,483
LIABILITIES					
Accrued liabilities	$ 3,214,147	$ 296,906	$ -	$ 106,727	$ 3,617,780
Unearned revenue	69,603	-	-	105,325	174,928
Total Liabilities	3,283,750	296,906	-	212,052	3,792,708
FUND BALANCES					
Nonspendable	15,250	-	-	28,508	43,758
Restricted	4,090,250	9,583,458	7,247,056	5,789,223	26,709,987
Committed	-	-	-	1,892,387	1,892,387
Unassigned	3,970,643	-	-	-	3,970,643
Total Fund Balances	8,076,143	9,583,458	7,247,056	7,710,118	32,616,775
Total Liabilities and Fund Balances	$ 11,359,893	$ 9,880,364	$ 7,247,056	$ 7,922,170	$ 36,409,483

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		$ 32,616,775
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 122,183,526	
Accumulated depreciation	(35,862,454)	86,321,072
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		1,628,795
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 statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(820,266)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 71,510,509	
Compensated absences	322,904	
Net pension liability	51,562,855	(123,396,268)
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		
Deferred outflows of resources related to pensions	$ 13,287,139	
Deferred inflows of resources related to pensions	(4,099,348)	9,187,791
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		(14,348,075)
Total Net Position - Governmental Activities		$ (8,810,176)

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 40,650,596	$ -	$ -	$ 200,000	$ 40,850,596
Federal sources	1,376,574	-	-	665,622	2,042,196
Other state sources	6,935,493	-	37,015	36,866	7,009,374
Other local sources	7,121,305	250,358	7,296,783	2,110,648	16,779,094
Total Revenues	56,083,968	250,358	7,333,798	3,013,136	66,681,260
EXPENDITURES					
Current					
Instruction	36,111,835	-	-	-	36,111,835
Instruction-related services					
Instructional supervision and administration	1,437,527	-	-	-	1,437,527
Instructional library, media, and technology	1,293,709	-	-	-	1,293,709
School site administration	3,318,526	-	-	-	3,318,526
Pupil services					
Home-to-school transportation	511,604	-	-	-	511,604
Food services	35,435	-	-	1,817,752	1,853,187
All other pupil services	3,116,512	-	-	-	3,116,512
General administration					
Centralized data processing	105,111	-	-	-	105,111
All other general administration	2,945,174	-	-	74,709	3,019,883
Plant services	4,947,531	-	-	155,775	5,103,306
Facilities acquisition and maintenance	12,161	7,580,821	-	1,342,993	8,935,975
Ancillary services	489,654	-	-	-	489,654
Community services	37,596	-	-	-	37,596
Transfers to other agencies	498,703	-	-	-	498,703
Debt service					
Principal	-	-	4,614,252	-	4,614,252
Interest and other	-	-	3,240,757	-	3,240,757
Total Expenditures	54,861,078	7,580,821	7,855,009	3,391,229	73,688,137
NET CHANGE IN FUND BALANCE	1,222,890	(7,330,463)	(521,211)	(378,093)	(7,006,877)
Fund Balance - Beginning	6,853,253	16,913,921	7,768,267	8,088,211	39,623,652
Fund Balance - Ending	$ 8,076,143	$ 9,583,458	$ 7,247,056	$ 7,710,118	$ 32,616,775

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds		$	(7,006,877)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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 estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	$ 7,620,315	
Depreciation expense:	(2,581,525)	5,038,790

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: 6,168,693

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was: (143,469)

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 it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 52,859

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,485,168)

(continued on next page)

Compensated absences:	
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:	(42,569)
Pensions:	
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	(1,776,938)
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	191,260
Internal Service Funds:	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	(1,603,653)
Change in Net Position of Governmental Activities	$ (607,072)

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Business-Type Activities Child Care Enterprise Fund	Governmental Activities Internal Service Fund
ASSETS		
Current assets		
Cash and investments	$ 370,478	$ 1,573,413
Accounts receivable	257,424	7,954
Total current assets	627,902	1,581,367
Total Assets	627,902	1,581,367
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	461,888	-
Total Deferred Outflows of Resources	461,888	-
LIABILITIES		
Current liabilities		
Accrued liabilities	116,274	-
Total current liabilities	116,274	-
Non-current liabilities		
Net pension liability	1,871,524	-
Total OPEB liability	-	15,377,705
Total non-current liabilities	1,871,524	15,377,705
Total Liabilities	1,987,798	15,377,705
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of resources related to pensions	68,797	-
Deferred Inflows of resources related to OPEB	-	551,737
Total Deferred Inflows of Resources	68,797	551,737
NET POSITION		
Unrestricted	(966,805)	(14,348,075)
Total Net Position	$ (966,805)	$ (14,348,075)

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Child Care Enterprise Fund	Governmental Activities Internal Service Fund
OPERATING REVENUE		
Charges for services	$ 1,672,825	$ 460,813
Other local revenues	1,000	-
Total operating revenues	1,673,825	460,813
OPERATING EXPENSE		
Salaries and benefits	1,465,606	1,754,675
Supplies and materials	85,177	-
Professional services	54,024	339,767
Total operating expenses	1,604,807	2,094,442
Operating income/(loss)	69,018	(1,633,629)
NON-OPERATING REVENUES		
Interest income	6,766	29,976
Total non-operating revenues/(expenses)	6,766	29,976
CHANGE IN NET POSITION	75,784	(1,603,653)
Net Position - Beginning	(1,042,589)	(12,744,422)
Net Position - Ending	$ (966,805)	$ (14,348,075)

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities	Governmental Activities
	Child Care Enterprise Fund	Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	$ 1,481,956	$ -
Cash received (paid) from assessments made to (from) other funds	-	459,461
Cash payments for payroll, insurance, and operating costs	(1,451,538)	(339,767)
Net cash provided by (used for) operating activities	30,418	119,694
Cash flows from investing activities		
Interest received	6,766	29,976
Net cash provided by (used for) investing activities	6,766	29,976
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,184	149,670
CASH AND CASH EQUIVALENTS		
Beginning of year	333,294	1,423,743
End of year	$ 370,478	$ 1,573,413
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	$ 69,018	$ (1,633,629)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	(191,869)	(1,352)
(Increase) decrease in deferred outflows	48,448	460,507
Increase (decrease) in accounts payable	3,004	-
Increase (decrease) in non-current liabilities	87,413	742,431
Increase (decrease) in deferred inflows	14,404	551,737
Net cash provided by (used for) operating activities	$ 30,418	$ 119,694

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds	
	Warrant/Pass-through Fund	Student Body Fund
ASSETS		
Cash and investments	$ 281,042	$ 257,628
Total Assets	$ 281,042	$ 257,628
LIABILITIES		
Accrued liabilities	$ 281,042	$ -
Due to student groups	-	257,628
Total Liabilities	$ 281,042	$ 257,628

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The South Pasadena Unified School District (the "District"), established in 1886, is located in a three square mile area between the cities of Los Angeles, San Marino, Alhambra and Pasadena in Los Angeles County, 10 miles northeast of the City of Los Angeles. The boundaries of the District are coterminous with the boundaries of the City of South Pasadena (the "City"). The District operates three elementary schools, one middle school, one high school, a district office and a maintenance office. A fourth elementary school site is presently leased to the Institute for the Redesign of Learning.

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

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).

B. Component Units

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

The South Pasadena Educational Foundation (the "component unit"), although a legally separate tax-exempt entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, the District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or help by the separate organization, and the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

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

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

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

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

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

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

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

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Child Care Enterprise Fund: This fund may be used to account for other business activities. The District maintains the childcare and preschool program in this fund.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section* 17566).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

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

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

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

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Governmental Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

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

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

Asset Class	Estimated Useful Life
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District 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.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

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

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

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

F. Interfund Activity

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Estimates

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

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Business-Type Activities	Fiduciary Funds
Investment in county treasury	$ 33,715,838	$ 1,573,413	$ 35,289,251	$ 370,478	$ 281,042
Cash on hand and in banks	244,438	-	244,438	-	257,628
Cash in revolving fund	15,695	-	15,695	-	-
Total cash and investments	$ 33,975,971	$ 1,573,413	$ 35,549,384	$ 370,478	$ 538,670

B. Policies and Practices

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

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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

C. General Authorizations

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $35,906,296 and an amortized book value of $35,940,771. The average weighted maturity for this pool is 547 days.

E. Credit Risk

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

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The 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.

G. Fair Value

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value (continued)

Uncategorized - Investments in the Los Angeles 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 at June 30, 2019 were as follows:

	Uncategorized
Investment in county treasury	$ 35,906,296
Total fair market value of investments	$ 35,906,296

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Total Business-Type Activities
Federal Government						
Categorical aid	$ 984,118	$ -	$ 186,349	$ -	$ 1,170,467	$ -
State Government						
Categorical aid	143,780	-	8,166	-	151,946	-
Lottery	229,272	-	-	-	229,272	-
Local Government						
Other local sources	743,478	55,194	55,092	7,954	861,718	257,424
Total	$ 2,100,648	$ 55,194	$ 249,607	$ 7,954	$ 2,413,403	$ 257,424

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	$ 6,138,461	$ -	$ -	$ 6,138,461
Construction in progress	8,047,314	7,011,720	12,069,516	2,989,518
Total Capital Assets not Being Depreciated	14,185,775	7,011,720	12,069,516	9,127,979
Capital assets being depreciated				
Land improvements	5,999,597	-	-	5,999,597
Buildings & improvements	92,983,582	12,618,969	-	105,602,551
Furniture & equipment	1,423,087	59,142	28,830	1,453,399
Total Capital Assets Being Depreciated	100,406,266	12,678,111	28,830	113,055,547
Less Accumulated Depreciation				
Land improvements	2,349,917	298,269	-	2,648,186
Buildings & improvements	29,993,793	2,165,369	-	32,159,162
Furniture & equipment	966,049	117,887	28,830	1,055,106
Total Accumulated Depreciation	33,309,759	2,581,525	28,830	35,862,454
Governmental Activities				
Capital Assets, net	$ 81,282,282	$ 17,108,306	$ 12,069,516	$ 86,321,072

Depreciation expense is allocated to governmental functions as follows:

Governmental Activities	
Instruction	$ 1,696,931
Instructional supervision and administratior	68,328
Instructional library, media, and technology	63,239
School site administration	146,858
Home-to-school transportation	10,864
Food services	78
All other pupil services	136,950
Centralized data processing	2,513
All other general administration	167,613
Plant services	258,819
Ancillary services	27,336
Community services	1,996
Total Depreciation Expense	$ 2,581,525

NOTE 5 – ACCRUED LIABILITIES

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

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Business-Type Activities	Total Fiduciary Funds
Payroll	$ 667,707	$ 12,418	$ 65,179	$ -	$ 745,304	$ 114,276	$ -
Construction	-	284,488	-	-	284,488	-	-
Vendors payable	2,546,440	-	41,548	-	2,587,988	1,998	281,042
Unmatured interest	-	-	-	820,266	820,266	-	-
Total	$ 3,214,147	$ 296,906	$ 106,727	$ 820,266	$ 4,438,046	$ 116,274	$ 281,042

NOTE 6 – UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 69,603	$ -	$ 69,603
Local sources	-	105,325	105,325
Total	$ 69,603	$ 105,325	$ 174,928

NOTE 7 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 73,627,940	$ 1,485,168	$ 6,168,693	$ 68,944,415	$ 4,402,695
Unamortized premium	2,770,565	-	192,086	2,578,479	192,086
Unamortized discount	(13,211)	-	(826)	(12,385)	(826)
Total general obligation bonds	76,385,294	1,485,168	6,359,953	71,510,509	4,593,955
Compensated absences	280,335	42,569	-	322,904	-
Total OPEB liability	14,635,274	742,431	-	15,377,705	-
Net pension liability	51,315,795	247,060	-	51,562,855	-
Total	$ 142,616,698	$ 2,517,228	$ 6,359,953	$ 138,773,973	$ 4,593,955

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Business-Type Activities					
Net pension liability	$ 1,784,111	$ 87,413	$ -	$ 1,871,524	$ -
Total	$ 1,784,111	$ 87,413	$ -	$ 1,871,524	$ -

NOTE 7 – LONG-TERM LIABILITIES (continued)

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Additions	Deductions	Bonds Outstanding June 30, 2019
Election 1995, Series A	March 1, 1996	November 1, 2020	3.600% - 5.550%	$ 6,500,000	$ 1,205,000	$ -	$ 380,000	$ 825,000
Election 1995, Series B	February 1, 1998	November 1, 2022	3.600% - 5.200%	9,999,877	3,284,730	153,252	740,000	2,697,982
Election 1995, Series C	August 1, 1999	May 1, 2024	3.650% - 5.650%	9,999,209	12,000,001	661,181	1,565,000	11,096,182
Election 1995, Series D	June 7, 2001	November 1, 2025	4.000% - 5.660%	2,200,890	3,899,631	233,570	53,693	4,079,508
Election 2002, Series B	April 7, 2010	August 1, 2034	2.000% - 6.720%	8,999,680	2,077,961	95,796	220,000	1,953,757
2012 Refunding	February 9, 2012	May 1, 2028	2.000% - 5.000%	19,025,000	16,685,000	-	805,000	15,880,000
Election 2016, Series A	March 21, 2017	August 1, 2046	2.000% - 5.000%	24,995,000	24,995,000	-	2,405,000	22,590,000
2018 Refunding	January 18, 2018	August 1, 2034	3.000% - 4.060%	9,480,617	9,480,617	341,369	-	9,821,986
					$ 73,627,940	$ 1,485,168	$ 6,168,693	$ 68,944,415

Election 1995

In an election held November 7, 1995, the voters authorized the District to issue and sale $28,700,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance the acquisition, construction and modernization of school facilities and paying related costs. There were four issuances under this election:

- Series A, which was issued on March 1, 1996 for $6,500,000 with interest rates ranging from 3.600% to 5.550%. The original issuance consisted of $2,660,000 in current interest serial bonds, and $3,840,000 in current interest term bonds. The principal balance outstanding on June 30, 2019 amounted to $825,000.

- Series B, which was issued on February 1, 1998 for $9,999,877 with interest rates ranging from 3.600% to 5.200%. The original issuance consisted of $6,930,000 in current interest serial bonds and $3,069,877 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2019 amounted to $2,697,982, including accreted interest.

- Series C, which was issued on August 1, 1999 for $9,999,209 with interest rates ranging from 3.650% to 5.650%. The original issuance consisted of $620,000 in current interest serial bonds and $9,379,209 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2019 amounted to $11,096,182, including accreted interest.

- Series D, which was issued on June 7, 2001 for $2,200,890 with interest rates ranging from 4.000% to 5.660%. The original issuance consisted of $445,000 in current interest serial bonds, $1,360,084 in capital appreciation serial bonds, and $395,806 in capital appreciation term bonds. The principal balance outstanding on June 30, 2019 amounted to $4,079,508, including accreted interest.

NOTE 7 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

Election 2002

In an election held November 5, 2002, the voters authorized the District to issue and sale $29,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance the acquisition, construction and modernization of certain District property and facilities. There were two issuances under this election, Series A has been paid off:

- Series B, which was issued on April 7, 2010 for $8,999,680 with interest rates ranging from 2.000% to 6.720%. The original issuance consisted of $3,075,000 in current interest serial bonds, $1,120,000 in current interest term bonds, and $4,804,680 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2019 amounted to $1,953,757, including accreted interest.

2012 Refunding Bonds

On February 9, 2012, the District issued $19,025,000 of general obligation refunding bonds. The bonds were issued to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series A and pay the costs of issuing the bonds. The original issuance consisted entirely of current interest serial bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflow of resources on the statement of net position and are amortized to interest expense over the life of the liability. Deferred outflow of resources of $872,080 remain to be amortized. As of June 30, 2013, the principal balance outstanding on the defeased debt had been completely redeemed. The refunding decreased the District's total debt service payments by $1,775,612. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of $380,284. The principal balance outstanding on June 30, 2019 amounted to $15,880,000.

Election 2016

In an election held on November 8, 2016, the voters authorized the District to issue and sale $98,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance improvements to and the acquisition of equipment for one or more schools within the District. There was one issuance under this election:

- Series A, which was issued on March 21, 2017 for $24,995,000 with interest rates ranging from 2.000% to 5.000%. The principal balance outstanding on June 30, 2019 amounted to $22,590,000.

NOTE 7 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

2018 Refunding Bonds

On January 18, 2018, the District issued $9,480,617 of general obligation refunding bonds. The bonds were issued to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series B and pay the costs of issuing the bonds. The original issuance consisted of $590,000 of current interest bonds and $8,890,617 of capital appreciation bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflow of resources on the statement of net position and are amortized to interest expense over the life of the liability. Deferred outflow of resources of $900,184 remain to be amortized. As of June 30, 2019, the principal balance outstanding on the defeased debt had been completely redeemed. The refunding decreased the District's total debt service payments by $2,595,842. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of $1,113,425. The principal balance outstanding on June 30, 2019 amounted to $9,821,986.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2047 as follows:

Year Ended June 30,	Principal	Interest	Total
2020	$ 4,402,695	$ 3,338,362	$ 7,741,057
2021	4,405,147	3,322,070	7,727,217
2022	2,195,036	3,587,156	5,782,192
2023	2,323,218	3,685,172	6,008,390
2024	2,742,434	4,718,269	7,460,703
2025 - 2029	11,680,084	9,026,868	20,706,952
2030 - 2034	10,481,666	11,110,350	21,592,016
2035 - 2039	5,646,534	4,643,340	10,289,874
2040 - 2044	6,585,000	1,816,700	8,401,700
2045 - 2047	5,525,000	343,500	5,868,500
Accretion	12,957,601	(12,957,601)	-
Total	$ 68,944,415	$ 32,634,186	$ 101,578,601

NOTE 7 – LONG-TERM LIABILITIES (continued)

C. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to $322,904. This amount is included as part of long-term liabilities in the government-wide financial statements.

D. Other Postemployment Benefits

The District's beginning total OPEB liability was $14,635,274 and increased by $742,431 during the year ended June 30, 2019. The ending total OPEB liability at June 30, 2019 was $15,377,705. See Note 9 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was $53,099,906 and increased by $334,473 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was $53,434,379. See Note 10 for additional information regarding the net pension liability.

NOTE 8 – FUND BALANCES

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

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 15,250	$ -	$ -	$ 445	$ 15,695
Stores inventory	-	-	-	28,063	28,063
Total non-spendable	15,250	-	-	28,508	43,758
Restricted					
Educational programs	4,090,250	-	-	-	4,090,250
Capital projects	-	9,583,458	-	5,202,138	14,785,596
Debt service	-	-	7,247,056	-	7,247,056
All others	-	-	-	587,085	587,085
Total restricted	4,090,250	9,583,458	7,247,056	5,789,223	26,709,987
Committed					
Deferred maintenance	-	-	-	1,892,387	1,892,387
Total committed	-	-	-	1,892,387	1,892,387
Unassigned					
Reserve for economic uncertainties	1,523,455	-	-	-	1,523,455
Remaining unassigned	2,447,188	-	-	-	2,447,188
Total unassigned	3,970,643	-	-	-	3,970,643
Total	$ 8,076,143	$ 9,583,458	$ 7,247,056	$ 7,710,118	$ 32,616,775

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The South Pasadena Unified School District's OPEB plan, South Pasadena Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

	All Participants
Benefit types provided	Medical only
Duration of Benefits	To age 65
Required Service	10 years
Minimum Age	55
Dependent Coverage	One only
District Contribution %	100% to cap
District Cap	Kaiser two party rate

C. Contributions

The contribution requirements of Plan members and the South Pasadena Unified School District are established and may be amended by the South Pasadena Unified School District. For fiscal year 2018-19, the District contributed $412,617 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	110
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	389
Total number of participants**	499

*Information not provided
**As of the June 30, 2017 valuation date

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Total OPEB Liability

The South Pasadena Unified School District's total OPEB liability of $15,377,705 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

F. Actuarial Assumptions and Other Inputs

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

Economic assumptions:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	3.80%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:	
Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table
Retirement rates:	
Certificated	2009 CalSTRS Retirement Rates Table
Classified	Hired before 2013: 2009 CalPERS Retirement Rates for School Employees Table Hired after 2012: 2009 CalPERS 2%@60 Retirement Rates for Miscellaneous Employees Table
Vesting rates:	
Certificated	100% at 10 years of service
Classified	100% at 5 years of service

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2017.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	June 30, 2019
Total OPEB Liability	
Service Cost	$ 1,192,704
Interest on total OPEB liability	570,962
Changes of assumptions	(608,618)
Benefits payments	(412,617)
Net change in total OPEB liability	742,431
Total OPEB liability - beginning	14,635,274
Total OPEB liability - ending	$ 15,377,705
Covered-employee payroll	$ 29,997,293
District's total OPEB liability as a percentage of covered-employee payroll	51.3%

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

The following presents the total OPEB liability of the South Pasadena Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.80 percent) or one percentage point higher (4.80 percent) than the current discount rate:

	1% Decrease (2.80%)	Valuation Discount Rate (3.80%)	1% Increase (4.80%)
Net OPEB liability	$ 17,454,633	$ 15,377,705	$ 13,640,710

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the South Pasadena Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.00%)	Valuation Trend Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability	$ 13,567,335	$ 15,377,705	$ 17,517,316

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

For the fiscal year ended June 30, 2019, the South Pasadena Unified School District recognized OPEB expense of $1,754,675. At June 30, 2019, the South Pasadena Unified School District reported no deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes in assumptions	$ 551,737
	$ 551,737

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
1900	$ 56,881
1900	56,881
1900	56,881
1900	56,881
1900	56,881
Thereafter	267,332
	$ 551,737

NOTE 10 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 39,520,072	$ 10,037,687	$ 3,741,875	$ 4,284,155
PERS Pension	13,914,307	3,711,340	426,270	2,618,525
Total	$ 53,434,379	$ 13,749,027	$ 4,168,145	$ 6,902,680

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. 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 percent of final compensation for each year 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 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. 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 percent of final compensation for each year 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 percent at age 65 or older.

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $3,775,803 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $3,607,433 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

Pension Liabilities, Pension Expense, and 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 that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	39,520,072
State's proportionate share of the net pension liability associated with the District		22,627,200
Total	$	62,147,272

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 applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.043 percent, which did not change from its proportion measured as of June 30, 2017.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2019, the District recognized pension expense of $4,284,155. In addition, the District recognized pension expense and revenue of $771,580 for 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
Differences between projected and actual earnings on plan investments	$ -	$ 1,521,772
Differences between expected and actual experience	122,550	574,051
Changes in assumptions	6,139,334	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,646,052
District contributions subsequent to the measurement date	3,775,803	-
	$ 10,037,687	$ 3,741,875

The $3,775,803 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	$ 1,252,377	$ 189,713
2021	1,252,377	760,991
2022	1,252,377	1,799,063
2023	1,252,377	691,186
2024	1,252,376	265,444
2025	-	35,478
	$ 6,261,884	$ 3,741,875

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions
The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010−June 30, 2015.

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%
	100%	

*20-year geometric average

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan'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 presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 57,892,280	$ 39,520,072	$ 24,287,728

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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 CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2019 was 18.062% of annual payroll. Contributions to the plan from the District were $1,199,674 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately $471,798 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability of $13,914,307 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 applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.052 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2017.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2019, the District recognized pension expense of $2,618,525. 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
Differences between projected and actual earnings on plan investments	$ 114,129	$ -
Differences between expected and actual experience	912,171	-
Changes in assumptions	1,389,282	-
Changes in proportion and differences between District contributions and proportionate share of contributions	96,084	426,270
District contributions subsequent to the measurement date	1,199,674	-
	$ 3,711,340	$ 426,270

The $1,199,674 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	$ 1,535,787	$ 146,990
2021	1,075,678	146,990
2022	(17,671)	132,290
2023	(82,128)	-
	$ 2,511,666	$ 426,270

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
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 Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.
**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 20,258,565	$ 13,914,307	$ 8,650,836

NOTE 10 – PENSION PLANS (continued)

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

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

C. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of $11,467,401.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint powers agreement (JPA) entities, the Schools' Excess Liability Fund (SELF), the Alliance for Schools Collective Insurance Purchasing (ASCIP) and the California Statewide Delinquent Tax Finance Authority (the Authority). The Alliance for Schools Collective Insurance provides property, liability and workers compensation insurance for member districts. The Schools' Excess Liability Fund arranges for and provides excess property and liability insurance for its member school districts. The relationship between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

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

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was $1,628,795.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2019, total deferred outflows related to pensions was $13,749,027 and total deferred inflows related to pensions was $4,168,145.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2019, total deferred inflows related to other postemployment benefits was $551,737.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 40,426,021	$ 40,823,866	$ 40,650,596	$ (173,270)
Federal sources	1,295,977	1,372,005	1,376,574	4,569
Other state sources	3,222,847	2,482,063	2,856,262	374,199
Other local sources	5,744,288	5,908,873	7,121,305	1,212,432
Total Revenues	50,689,133	50,586,807	52,004,737	1,417,930
EXPENDITURES				
Certificated salaries	23,361,650	23,725,328	23,575,693	149,635
Classified salaries	6,198,615	6,458,689	6,421,602	37,087
Employee benefits	11,340,470	11,850,666	11,626,705	223,961
Books and supplies	1,923,641	2,201,390	1,621,492	579,898
Services and other operating expenditures	6,240,587	6,617,768	7,064,544	(446,776)
Capital outlay	50,000	40,067	47,817	(7,750)
Other outgo				
Excluding transfers of indirect costs	344,644	344,644	498,703	(154,059)
Transfers of indirect costs	(63,821)	(63,821)	(74,709)	10,888
Total Expenditures	49,395,786	51,174,731	50,781,847	392,884
Excess (Deficiency) of Revenues				
Over Expenditures	1,293,347	(587,924)	1,222,890	1,810,814
Other Financing Sources (Uses)				
Transfers out	(100,000)	-	-	-
Net Financing Sources (Uses)	(100,000)	-	-	-
NET CHANGE IN FUND BALANCE	1,193,347	(587,924)	1,222,890	1,810,814
Fund Balance - Beginning	6,853,253	6,853,253	6,853,253	-
Fund Balance - Ending	$ 8,046,600	$ 6,265,329	$ 8,076,143	$ 1,810,814

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments of $4,079,231 are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	###########
Total OPEB Liability		
Service Cost	$ 1,192,704	$ 1,160,782
Interest on total OPEB liability	570,962	482,348
Changes of assumptions	(608,618)	-
Benefits payments	(412,617)	(449,606)
Net change in total OPEB liability	742,431	1,193,524
Total OPEB liability - beginning	14,635,274	13,441,750
Total OPEB liability - ending	$ 15,377,705	$ 14,635,274
Covered-employee payroll	$ 29,997,293	$ 31,166,361
District's total OPEB liability as a percentage of covered-employee payroll	51.3%	47.0%

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.043%	0.043%	0.045%	0.046%	0.045%
District's proportionate share of the net pension liability	$ 39,520,072	$ 40,010,982	$ 36,716,369	$ 30,683,567	$ 26,133,360
State's proportionate share of the net pension liability associated with the District	22,627,200	23,670,351	20,905,052	16,228,181	15,780,451
Total	$ 62,147,272	$ 63,681,333	$ 57,621,421	$ 46,911,748	$ 41,913,811
District's covered payroll	$ 23,029,700	$ 23,208,673	$ 22,746,645	$ 20,682,593	$ 19,918,667
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.6%	172.4%	161.4%	148.4%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.052%	0.055%	0.057%	0.056%	0.052%
District's proportionate share of the net pension liability	$ 13,914,307	$ 13,088,924	$ 11,339,056	$ 8,231,759	$ 5,923,607
District's covered payroll	$ 6,979,500	$ 7,070,215	$ 7,354,334	$ 6,151,744	$ 5,477,513
District's proportionate share of the net pension liability as a percentage of its covered payroll	199.4%	185.1%	154.2%	133.8%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 3,775,803	$ 3,297,125	$ 2,896,598	$ 2,436,682	$ 1,835,014
Contributions in relation to the contractually required contribution*	(3,775,803)	(3,297,125)	(2,896,598)	(2,436,682)	(1,835,014)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 23,397,989	$ 23,029,700	$ 23,208,673	$ 22,746,645	$ 20,682,593
Contributions as a percentage of covered payroll	16.14%	14.32%	12.48%	10.71%	8.87%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 1,199,674	$ 997,493	$ 890,894	$ 752,266	$ 761,711
Contributions in relation to the contractually required contribution*	(1,199,674)	(997,493)	(890,894)	(752,266)	(761,711)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,857,169	$ 6,979,500	$ 7,070,215	$ 7,354,334	$ 6,151,744
Contributions as a percentage of covered payroll	15.27%	14.29%	12.60%	10.23%	12.38%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for OPEB.

Changes in Assumptions

The interest assumption changed from 3.50% to 3.80% since the previous valuation for OPEB.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Services and other operating expenditures	$ 6,617,768	$ 7,064,544	$ 446,776
Capital outlay	$ 40,067	$ 47,817	$ 7,750
Other outgo			
Excluding transfers of indirect costs	$ 344,644	$ 498,703	$ 154,059

SUPPLEMENTARY INFORMATION

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 291,257
Title II, Part A, Teacher Quality	84.367	14341	70,391
Title III			
Title III, English Learner Student Program	84.365	14346	45,706
Title III, Immigrant Education Program	84.365	15146	16,849
Subtotal Title III			62,555
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	18,130
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	847,784
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	52,237
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	16,285
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	166
Subtotal Special Education Cluster			916,472
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	17,769
Total U. S. Department of Education			1,376,574
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	59,029
School Breakfast Program - Needy	10.553	13526	38,939
National School Lunch Program	10.555	13391	444,913
USDA Commodities	10.555	*	122,741
Subtotal Child Nutrition Cluster			665,622
Total U. S. Department of Agriculture			665,622
Total Federal Expenditures			$ 2,042,196

***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2019

	Second Period Report Certificate No. CE9DE7F6	Annual Report Certificate No. B829BD9F
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,365.74	1,371.32
Extended Year Special Education	1.08	1.08
Special Education - Nonpublic Schools	2.34	1.48
Extended Year Special Education - Nonpublic Schools	0.25	0.19
Total TK/K through Third	1,369.41	1,374.07
Fourth through Sixth		
Regular ADA	1,108.74	1,106.18
Extended Year Special Education	1.28	1.47
Special Education - Nonpublic Schools	4.08	4.76
Extended Year Special Education - Nonpublic Schools	0.81	0.25
Total Fourth through Sixth	1,114.91	1,112.66
Seventh through Eighth		
Regular ADA	741.26	743.26
Extended Year Special Education	0.97	0.97
Special Education - Nonpublic Schools	4.76	4.62
Extended Year Special Education - Nonpublic Schools	0.75	0.21
Total Seventh through Eighth	747.74	749.06
Ninth through Twelfth		
Regular ADA	1,392.04	1,380.75
Extended Year Special Education	1.81	1.81
Special Education - Nonpublic Schools	10.22	8.61
Extended Year Special Education - Nonpublic Schools	0.91	0.31
Total Ninth through Twelfth	1,404.98	1,391.48
TOTAL SCHOOL DISTRICT	4,637.04	4,627.27

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Days	Status
Kindergarten	36,000	36,785	180	Complied
Grade 1	50,400	51,630	180	Complied
Grade 2	50,400	51,630	180	Complied
Grade 3	50,400	54,270	180	Complied
Grade 4	54,000	55,225	180	Complied
Grade 5	54,000	55,225	180	Complied
Grade 6	54,000	61,400	180	Complied
Grade 7	54,000	61,400	180	Complied
Grade 8	54,000	61,400	180	Complied
Grade 9	64,800	65,400	180	Complied
Grade 10	64,800	65,400	180	Complied
Grade 11	64,800	65,400	180	Complied
Grade 12	64,800	65,400	180	Complied

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	2020 (Budget)	2019	2018	2017
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 50,834,435	$ 52,004,737	$ 48,844,403	$ 48,660,801
Expenditures And Other Financing Uses	51,706,002	50,781,847	49,412,358	48,507,323
Net change in Fund Balance	$ (871,567)	$ 1,222,890	$ (567,955)	$ 153,478
Ending Fund Balance	$ 7,204,576	$ 8,076,143	$ 6,853,253	$ 7,421,208
Available Reserves*	$ 3,876,767	$ 3,970,643	$ 3,973,753	$ 3,617,527
Available Reserves As A Percentage Of Outgo	7.50%	7.82%	8.04%	7.46%
Long-term Liabilities	$ 134,180,018	$ 138,773,973	$ 142,616,698	$ 128,753,982
Average Daily Attendance At P-2	4,637	4,637	4,649	4,649

The General Fund balance has increased by $654,935 over the past two years. The fiscal year 2019-20 budget projects a decrease of $871,567. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by $10,019,991 over the past two years.

Average daily attendance has decreased by 12 ADA over the past two years. No change in ADA is anticipated during the 2019-20 fiscal year.

**Available reserves consist of all unassigned fund balance within the General Fund.*

***The actual revenues and expenditures reported in this schedule do not include on-behalf payments of $4,079,231.*

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Child Care Enterprise Fund	Internal Service Fund
June 30, 2019, annual financial and budget report net position	$ 511,628	$ (1,804,107)
Adjustments and reclassifications:		
Increase (decrease) in total net position:		
Deferred outflows of resources related to pensions	461,888	-
Net pension liability	(1,871,524)	-
Total OPEB liability	-	(11,992,231)
Deferred inflows of resources related to pensions	(68,797)	-
Deferred inflows of resources related to OPEB	-	(551,737)
Net adjustments and reclassifications	(1,478,433)	(12,543,968)
June 30, 2019, audited financial statement net position	$ (966,805)	$ (14,348,075)

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS						
Cash and investments	$ 580,764	$ 1,883,169	$ 354,855	$ 1,335,728	$ 3,489,984	$ 7,644,500
Accounts receivable	201,334	9,218	1,900	7,346	29,809	249,607
Stores inventory	28,063	-	-	-	-	28,063
Total Assets	$ 810,161	$ 1,892,387	$ 356,755	$ 1,343,074	$ 3,519,793	$ 7,922,170
LIABILITIES						
Accrued liabilities	$ 89,243	$ -	$ -	$ -	$ 17,484	$ 106,727
Unearned revenue	105,325	-	-	-	-	105,325
Total Liabilities	194,568	-	-	-	17,484	212,052
FUND BALANCES						
Non-spendable	28,508	-	-	-	-	28,508
Restricted	587,085	-	356,755	1,343,074	3,502,309	5,789,223
Committed	-	1,892,387	-	-	-	1,892,387
Total Fund Balances	615,593	1,892,387	356,755	1,343,074	3,502,309	7,710,118
Total Liabilities and Fund Balance	$ 810,161	$ 1,892,387	$ 356,755	$ 1,343,074	$ 3,519,793	$ 7,922,170

See accompanying note to supplementary information.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES						
LCFF sources	$ -	$ 200,000	$ -	$ -	$ -	$ 200,000
Federal sources	665,622	-	-	-	-	665,622
Other state sources	36,866	-	-	-	-	36,866
Other local sources	1,257,733	35,389	110,730	28,932	677,864	2,110,648
Total Revenues	1,960,221	235,389	110,730	28,932	677,864	3,013,136
EXPENDITURES						
Current						
Pupil services						
Food services	1,817,752	-	-	-	-	1,817,752
General administration						
All other general administration	74,709	-	-	-	-	74,709
Plant services	-	124,355	-	-	31,420	155,775
Facilities acquisition and maintenance	-	-	130,365	287,516	925,112	1,342,993
Total Expenditures	1,892,461	124,355	130,365	287,516	956,532	3,391,229
NET CHANGE IN FUND BALANCE	67,760	111,034	(19,635)	(258,584)	(278,668)	(378,093)
Fund Balance - Beginning	547,833	1,781,353	376,390	1,601,658	3,780,977	8,088,211
Fund Balance - Ending	$ 615,593	$ 1,892,387	$ 356,755	$ 1,343,074	$ 3,502,309	$ 7,710,118

See accompanying note to supplementary information.

The elementary and high school systems in South Pasadena were established in 1886. The District was restructured in 1952 when San Marino seceded from the high school and formed its own unified school district. South Pasadena, located in the central section of Los Angeles County, encompasses an area of approximately 3.47 square miles and serves an estimated population of 24,000. The District provides educational facilities for kindergarten through twelfth grade in five schools, consisting of three elementary schools, one middle school, and one senior high school.

GOVERNING BOARD

Member	Office	Term Expires
Dr. Suzie Abajian	President	November 2020
Dr. Michele Kipke	Clerk	November 2022
Dr. Ruby Kalra	Member	November 2022
Jon Primuth	Member	November 2020
Zahir Robb	Member	November 2022

DISTRICT ADMINISTRATORS

Dr. Geoff Yantz
Superintendent

David Lubs
Assistant Superintendent, Business Services

Karen Reed
Assistant Superintendent, Human Resources

Christiane Gervais
Assistant Superintendent, Instructional Services

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District did not elect to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2019, the District participated in the Longer Day incentive funding program. .As of June 30, 2019, the District had met its target funding.

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

These statements provide information on the District’s non-major funds.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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*

Independent Auditors' Report

Governing Board
South Pasadena Unified School District
South Pasadena, 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 business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of South Pasadena Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the South Pasadena Unified School District's basic financial statements, and have issued our report thereon dated November 11, 2019.

Our report includes a reference to other auditors who audited the financial statements of the South Pasadena Educational Foundation (the discretely presented component unit), as described in our report on South Pasadena Unified 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. The financial statements of the South Pasadena Educational Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Christy White, Inc

San Diego, California
November 11, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
South Pasadena Unified School District
South Pasadena, California

Report on Compliance for Each Major Federal Program

We have audited South Pasadena Unified 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 South Pasadena Unified School District's major federal programs for the year ended June 30, 2019. South Pasadena Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 South Pasadena Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance requires 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 South Pasadena Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Pasadena Unified School District's compliance.

.

Opinion on Each Major Federal Program

In our opinion, South Pasadena Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Christy White, Inc

San Diego, California
November 11, 2019

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
South Pasadena Unified School District
South Pasadena, California

Report on State Compliance

We have audited South Pasadena Unified School District's compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations,* section 19810, that could have a direct and material effect on each of South Pasadena Unified School District's state programs for the fiscal year ended June 30, 2019, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Pasadena Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations,* section 19810. Those standards 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 state programs noted below occurred. An audit includes examining, on a test basis, evidence about South Pasadena Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of South Pasadena Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, South Pasadena Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

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Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
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
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
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc

San Diego, California
November 11, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2019.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2019.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2019.

SOUTH PASADENA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings for the year ended June 30, 2018.