

NEW ISSUE FULL BOOK-ENTRY

RATING

S&P: "SP-1+"

(See "RATING" herein)

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

\$19,000,000\*

SANTA BARBARA UNIFIED SCHOOL DISTRICT

(Santa Barbara County, California)

2020-21 Tax and Revenue Anticipation Notes

Interest Rate: \_\_\_\_%

Yield: \_\_\_\_%

CUSIP(1):

Dated: Date of Delivery

Due: June 30, 2021

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

The Santa Barbara Unified School District 2020-21 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance seasonal cash flow requirements of the Santa Barbara Unified School District (the "District"), prior to the receipt of anticipated tax payments, income and other revenues thereof. The Notes will be issued in denominations of \$5,000 principal amount or any integral multiple thereof and will be dated as of the date of their delivery. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District, upon maturity, at the principal trust office of U.S. Bank National Association, as the designated Paying Agent.

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

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

The Notes are payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District (collectively, the "Unrestricted Revenues"). As security for the Notes, the District has pledged (i) the first Unrestricted Revenues received by the District in the month ending January 31, 2021 in an amount equal to 50% of the principal of the Notes, and (ii) the first Unrestricted Revenues received by the District in the month ending April 30, 2021 in an amount equal to 50% of the principal of and 100% of the interest due on the Notes (collectively, the "Pledged Revenues"). The Pledged Revenues shall be deposited into a repayment fund for the Notes as further described herein. The Notes shall constitute a first lien and charge on such Pledged Revenues and shall be payable therefrom.

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

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation as Disclosure Counsel, and for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Notes, in book-entry form, will be available through the facilities of the Depository Trust Company in New York, New York, on or about \_\_\_\_\_, 2020.

Morgan Stanley

Dated: \_\_\_\_\_, 2020.

\* Preliminary, subject to change.

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

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

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

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

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

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

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

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

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**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**Board of Education**

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

**District Administration**

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

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**PROFESSIONAL SERVICES**

**Bond and Disclosure Counsel**

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

**Municipal Advisor**

KNN Public Finance, LLC  
*Oakland, California*

**Paying Agent**

U.S. Bank National Association  
*Los Angeles, California*

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**\$19,000,000\***  
**SANTA BARBARA UNIFIED SCHOOL DISTRICT**  
**(Santa Barbara County, California)**  
**2020-21 Tax and Revenue Anticipation Notes**

**INTRODUCTION**

*This introduction is not a summary of the Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement.*

**General**

This Official Statement, which includes the cover page, Table of Contents and Appendices thereto, provides certain information in connection with the issuance, sale and delivery by the Santa Barbara Unified School District (the “District”) of \$19,000,000\* aggregate principal amount of the District’s 2020-21 Tax and Revenue Anticipation Notes (the “Notes”). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850 *et. seq.*) of the California Government Code (the “Act”) and pursuant to a resolution adopted by the Board of Education of the District on April 28, 2020 (the “Resolution”).

The Notes are being issued to provide funds to meet fiscal year 2020-21 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. See “THE NOTES – Purpose of Issue” herein.

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

**The District**

The District is located in Santa Barbara County (the “County”). The District is the successor agency to the Santa Barbara Secondary/High School District (the “High School District”) and the Santa Barbara Elementary School District (the “Elementary School District”). The District encompasses approximately 136.4 square miles, which includes the cities of Santa Barbara and Goleta, and certain unincorporated areas, including the community of Montecito. The District currently operates 9 elementary schools, one community academy, 15 children’s centers, seven after school child care centers, four junior high schools (grades 7-8), one alternative high school (grades 9-12), one continuation high school (grades 9-12) and three high schools (grades 9-12). There are also three charter schools operating within the District, one of which is affiliated with the District. For fiscal year 2020-21, enrollment in the District is projected to be 12,885 students and average daily attendance (“ADA”) is projected to be 12,153 students. However, the District’s actual student attendance may be affected by the current coronavirus outbreak. See “SECURITY AND SOURCES OF PAYMENT OF THE NOTES – Considerations Regarding COVID-19” herein.

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\* Preliminary, subject to change.

The District is governed by a five-member Board of Education (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. Mr. Cary Matsuoka is currently the Superintendent of the District. Mr. Matsuoka has announced his retirement effective June 30, 2020, and effective July 1, 2020 the Superintendent will be Ms. Hilda Maldonado. See “SANTA BARBARA UNIFIED SCHOOL DISTRICT” herein.

### **Security and Sources of Payment**

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

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

### **Offering and Delivery of the Notes**

The Notes are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Notes in book-entry form will be available for delivery through the facilities of the Depository Trust Company (“DTC”) in New York, New York on or about \_\_\_\_\_, 2020.

### **Continuing Disclosure**

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

### **Professionals Involved in the Offering**

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

## THE NOTES

### Authority for Issuance

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

### Purpose of Issue

Issuance of the Notes will provide funds to meet fiscal year 2020-21 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. Borrowing is necessitated by District general fund expenditures occurring in relatively level amounts throughout the year with receipts occurring in uneven amounts. This results primarily from an uneven pattern of payments from State and federal sources, and payments of secured property taxes collected by the County, which collectively are the largest sources of District revenues. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Actual and Projected Cash Flows” and “DISTRICT FINANCIAL INFORMATION” herein. As a result, the District’s general fund cash balance is negative during parts of the fiscal year. The Notes are intended to finance such cash deficits and are an alternative to the District borrowing from the County Treasury.

### General Provisions

The Notes will be dated the date of their delivery and will mature on June 30, 2021 (the “Maturity Date”). The Notes will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 principal amount, or integral multiples thereof. Purchasers of interests in the Notes (the “Beneficial Owners”) will not receive physical notes representing their interests in the Notes, but will instead receive credit balances on the books of their respective nominees.

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

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

### Redemption

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

### Authorized Investments

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

## **ESTIMATED SOURCES AND USES OF FUNDS**

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

### **Sources of Funds**

Principal Amount of Notes  
Original Issue Premium  
Total Sources

### **Uses of Funds**

Deposit to County Treasury  
Costs of Issuance<sup>(1)</sup>  
  
Total Uses

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

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES**

### **Security for the Notes**

Pursuant to Section 53856 of the Act and the Resolution, the District has pledged the following to the repayment of the Notes (collectively referred to herein as the "Pledged Revenues"): (i) the first Unrestricted Revenues received by the District in the month ending January, 2021 in an amount equal to 50% of the principal of the Notes, and (ii) the first Unrestricted Revenues received by the District in the month ending April, 2021, in an amount equal to 50% of the principal of and 100% of the interest due on the Notes (each such month, a "Pledge Month"). The principal of and interest due on the Notes will constitute a first lien and charge against the Pledged Revenues.

Pledged Revenues shall be deposited by the District into the Repayment Fund (defined herein) as follows: (i) in amount equal to 50% of the principal of the Notes on the last business day of January 31, 2021 and (ii) in an amount equal to 50% of the principal of and 100% of the interest due on the Notes on the last business day of April 30, 2021. In the event that there are insufficient Pledged Revenues received by the District in each Pledge Month to permit the deposits into the Repayment Fund of the full amounts constituting the aforesaid pledge, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Available Sources of Payment" herein.

All Pledged Revenues will be deposited into a special fund held by the County Treasurer-Tax Collector (the "Treasurer") designated as the "Santa Barbara Unified School District, 2020-21 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Moneys in the Repayment Fund will be invested in authorized investments which mature not later than the Maturity Date of the Notes. See "THE NOTES – Authorized Investments" herein. After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the general fund of the District upon request of the District.

**Proceeds of the Notes Conditionally Pledged**

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

**Available Sources of Payment**

The Notes, in accordance with the Act, are general obligations of the District, and to the extent not paid from Pledged Revenues, will be paid with interest thereon from any other moneys of the District legally available therefor. With an interest rate of \_\_\_\_\_%, the amount needed to repay the Notes and the interest thereon is \$\_\_\_\_\_. The District estimates that funds available from its general fund for payment of the Notes will be approximately \$196.4 million, as indicated in following table:

**ESTIMATED GENERAL FUND REVENUE\***  
**Fiscal Year 2020-21**  
**Santa Barbara Unified School District**

<u>Sources</u>	<u>Amount</u>
Principal State Apportionment.....	\$128,012,553
State Apportionment.....	12,792,240
Federal .....	6,568,702
Other State .....	16,626,018
Other Local .....	13,437,023
Proceeds of the Notes .....	<u>19,000,000*</u>
Total	<u>\$196,436,536</u>

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

In addition to the District’s obligation to repay the Notes, the District has other contractual commitments that must be paid from general fund revenues. For information regarding the levels of the District’s expenditure commitments for fiscal year 2020-21, see “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES — Actual and Projected Cash Flows” herein.

**Considerations Regarding COVID-19**

An outbreak of disease or similar public health threat, such as the novel coronavirus (“COVID-19”) outbreak, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results.

The spread of COVID-19 is having significant negative impacts throughout the world, including at the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and a state of emergency has been declared by both the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriates over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments.

State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor of the State has enacted Executive Order N-26-20 (“Executive Order N-26-20”), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs school districts to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

On March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which take effect immediately. SB 89 amends the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriates \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the “Stay Home Order”). The District’s schools are closed for the remainder of the 2019-20 school year.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District’s schools). The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. See “SANTA BARBARA UNIFIED SCHOOL DISTRICT – Alternative Method of Tax Apportionment – “Teeter Plan”” herein. The economic consequences and the declines in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District’s required contribution rates in future fiscal years. See “SANTA BARBARA UNIFIED SCHOOL DISTRICT – District Retirement Systems” herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surround the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor’s office (<http://www.gov.ca.gov>) and the California Department of Public Health (<https://covid19.ca.gov/>). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.*

The ultimate impact of COVID-19 on the District’s operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or average daily attendance within the District and, notwithstanding Executive Order N-26-20 or SB 117, materially adversely impact the financial condition or operations of the District including the District’s ability to make deposits of Pledged Revenues as described herein or pay the Notes as and when they become due.

### **Limitations on Noteholder Remedies; Bankruptcy**

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

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

### **Prohibition on County Borrowing**

Pursuant to the Resolution, the District has covenanted that while the Notes are outstanding, the District will not request the Treasurer to make temporary transfers of funds in the custody thereof to meet any obligations of the District during fiscal year 2020-21 pursuant to Article XVI, Section 6 of the Constitution of the State of California or any other legal authority.

### **Actual and Projected Cash Flows**

The District has prepared the accompanying monthly general fund cash flow statements covering fiscal years 2019-20 and 2020-21. The general fund is used to finance the ordinary operations of the District and is available for any legally authorized purpose. For fiscal year 2020-21, the District has projected a maximum cumulative cash flow deficit to occur within six months of the issuance of the Notes, and prior to the receipt of the Pledged Revenues. The anticipated deficit occurs in November 2020, and is due to the daily timing of expenditures occurring prior to the receipt of revenues for the month. The accompanying projected daily general fund cash flow statements cover November 2020.

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

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

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**SANTA BARBARA UNIFIED SCHOOL DISTRICT  
2019-20 Cash Flow (Actual/Projected)**

2019-20 Cash Flows	Actual July 2019	Actual August 2019	Actual September 2019	Actual October 2019	Actual November 2019	Actual December 2019	Actual January 2020	Actual February 2020	Actual March 2020	Actual April 2020	Actual May 2020	Projected June 2020	Accruals
<b>BEGINNING CASH</b>	15,734,509	23,466,698	16,387,297	4,569,447	(6,254,771)	(1,331,138)	35,984,217	33,405,136	19,312,797	11,062,446	37,795,502	19,266,888	
<b>RECEIPTS</b>													
Revenue Limit Sources													
Property Taxes	-	-	-	3,044,959	18,860,892	44,614,268	8,620,323	262,676	2,562,330	43,918,557	-	11,187,985	133,071,991
State Apportionment	810,396	810,396	2,105,597	1,458,713	-	3,564,309	1,458,713	518,457	1,157,885	497,276	497,276	1,095,109	13,974,126
Miscellaneous Funds	-	(592,934)	(1,185,869)	(790,579)	(790,579)	751,453	(790,579)	(899,334)	(1,623,456)	588,656	(811,729)	(1,314,082)	(7,459,032)
Federal Revenue	-	12,274	332,807	450,896	116,536	44,801	1,364,657	138,460	894,588	266,256	536,189	3,230,750	7,388,216
Other State Revenue	2,210	7,412	210,029	309,077	-	2,648,469	1,237,768	-	2,427,003	149,940	52,660	9,985,946	17,030,514
Other Local Revenue	648,072	592,158	1,428,714	929,643	1,419,945	1,579,008	843,964	937,672	1,183,269	1,211,251	917,852	4,199,820	15,891,369
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Sources	-	-	-	210,350	267,416	-	-	-	-	-	-	1	477,767
Other Receipts/Non-Rev.	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	1,460,678	829,307	2,891,278	5,613,059	19,874,210	53,202,308	12,734,847	957,931	6,601,619	46,631,936	1,192,249	28,385,529	180,374,951
<b>DISBURSEMENTS</b>													
Certificated Salaries	736,362	1,002,568	7,111,927	7,236,119	7,336,070	7,268,750	7,186,609	7,264,534	7,274,232	7,169,456	7,152,574	7,854,203	74,593,402
Classified Salaries	1,215,453	1,521,854	2,546,160	2,635,552	2,801,706	2,607,643	2,568,327	2,726,892	2,606,396	2,605,684	2,749,140	2,474,248	29,059,057
Employee Benefits	1,065,756	1,214,433	2,830,845	2,866,082	2,890,506	2,855,968	2,836,822	2,761,526	2,755,505	2,738,590	2,762,003	12,786,448	40,364,485
Books, Supplies and Services	161,865	4,084,240	2,214,514	3,497,310	1,997,535	1,441,050	2,342,375	2,060,399	2,051,690	2,131,164	1,275,482	6,758,666	30,016,291
Capital Outlay	-	90,587	74,850	309,504	284,832	55,976	75,045	9,728	32,655	2,414	976	335,224	1,271,790
Other Outgo	233,395	488,857	448,829	8,508	320,125	405,435	248,927	322,409	267,163	272,196	308,435	(150,293)	3,173,987
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	4,522,887	4,522,887
Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	139,230	139,230
Other Disbursements/Non-Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	3,412,831	8,402,539	15,227,125	16,553,075	15,630,774	14,634,823	15,258,105	15,145,489	14,987,642	14,919,504	14,248,609	34,720,613	183,141,129
<b>PRIOR YEAR TRANSACTIONS</b>													
Accounts Receivable	2,753,920	2,094,663	512,847	125,154	413,411	(718,017)	(52,788)	93,514	135,202	18,618	(168,794)	(5,789,463)	(581,734)
Accounts Payable	3,069,579	1,600,832	(5,150)	9,356	(266,786)	534,114	3,034	(1,705)	(470)	(2,006)	5,126	(5,578,740)	(632,817)
<b>TOTAL PRIOR YEAR TRANSACTIONS</b>	(315,659)	493,832	517,997	115,798	680,197	(1,252,131)	(55,822)	95,219	135,672	20,624	(173,920)	(210,723)	51,083
<b>NET INCREASE/DECREASE</b>	(2,267,811)	(7,079,401)	(11,817,850)	(10,824,218)	4,923,633	37,315,355	(2,579,080)	(14,092,339)	(8,250,352)	31,733,056	(13,230,281)	(6,545,807)	(2,715,095)
<b>TRAN RECEIPTS</b>	10,000,000	-	-	-	-	-	-	-	-	-	-	-	10,000,000
<b>TRAN DISBURSEMENTS</b>	-	-	-	-	-	-	-	-	-	5,000,000	5,298,333	-	10,298,333
<b>ENDING CASH</b>	23,466,698	16,387,297	4,569,447	(6,254,771)	(1,331,138)	35,984,217	33,405,136	19,312,797	11,062,446	37,795,502	19,266,888	12,721,081	

Source: Santa Barbara Unified School District.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT  
2020-21 Cash Flow (Projected)**

2020-21 Cash Flows	Projected July 2020	Projected August 2020	Projected September 2020	Projected October 2020	Projected November 2020	Projected December 2020	Projected January 2021	Projected February 2021	Projected March 2021	Projected April 2021	Projected May 2021	Projected June 2021	Accruals
<b>BEGINNING CASH</b>	12,721,081	27,183,747	20,731,108	8,193,141	(1,397,696)	4,507,719	41,452,155	25,461,469	11,388,652	532,846	25,379,339	11,412,903	
<b>RECEIPTS</b>													
Revenue Limit Sources													
Property Taxes	-	-	527,894	4,388,022	19,014,197	46,101,109	5,052,906	44,631	562,298	48,580,303	(5,164)	11,395,867	135,662,064
State Apportionment	514,939	514,939	1,550,254	926,891	926,891	1,550,254	926,891	926,891	1,550,254	926,891	926,891	1,550,254	12,792,240
Miscellaneous Funds	-	(592,934)	(1,185,869)	(790,579)	(790,579)	751,453	(790,579)	(899,334)	(1,623,456)	(833,009)	(874,894)	(19,731)	(7,649,511)
Federal Revenue	-	12,274	332,807	256,777	116,536	44,801	1,364,657	138,460	894,588	266,256	536,189	2,605,355	6,568,702
Other State Revenue	2,210	7,412	210,029	309,077	-	1,657,469	1,237,768	-	2,427,003	149,940	52,660	10,572,450	16,626,018
Other Local Revenue	648,072	592,158	1,428,714	929,643	1,419,945	3,000,008	843,964	937,672	465,704	1,014,449	917,852	1,238,841	13,437,023
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Sources	1,675,753	-	-	-	-	-	-	-	-	-	-	-	1,675,753
Other Receipts/Non-Rev.	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	2,840,975	533,850	2,863,829	6,019,831	20,686,990	53,105,094	8,635,607	1,148,321	4,276,391	50,104,830	1,553,535	27,343,036	179,112,289
<b>DISBURSEMENTS</b>													
Certificated Salaries	736,362	1,002,568	7,111,927	7,236,119	7,336,070	7,268,750	7,186,609	7,264,534	7,274,232	7,419,456	7,433,263	7,854,203	75,124,091
Classified Salaries	1,215,453	1,521,854	2,546,160	2,635,552	2,801,706	2,607,643	2,568,327	2,726,892	2,606,396	2,605,684	2,749,140	2,588,195	29,173,004
Employee Benefits	1,392,743	1,412,980	2,792,500	2,812,044	2,856,601	2,825,845	2,808,362	2,838,908	2,826,463	2,835,108	2,820,838	12,952,844	41,175,234
Books, Supplies and Services	1,623,401	3,063,475	2,995,527	3,027,585	2,137,359	1,851,972	2,251,201	2,153,885	2,274,925	1,877,924	2,059,236	5,195,953	30,512,444
Capital Outlay	1,675,753	90,587	74,850	6,659	9,910	5,976	7,045	9,728	3,255	2,414	976	120,114	2,007,266
Other Outgo	418,938	388,857	348,829	8,508	320,125	348,341	248,927	322,409	282,598	282,598	282,598	(150,293)	3,102,436
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	4,171,255	4,171,255
Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	139,230	139,230
Other Disbursements/Non-Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	7,062,650	7,480,321	15,869,792	15,726,466	15,461,771	14,908,527	15,070,471	15,316,357	15,267,869	15,023,183	15,346,050	32,871,501	185,404,960
<b>PRIOR YEAR TRANSACTIONS</b>													
Accounts Receivable	2,753,920	2,094,663	462,847	125,154	413,411	(718,017)	(52,788)	93,514	135,202	18,618	(168,794)	(5,789,463)	(631,734)
Accounts Payable	3,069,579	1,600,832	(5,150)	9,356	(266,786)	534,114	3,034	(1,705)	(470)	(2,006)	5,126	(5,578,740)	(632,817)
<b>TOTAL PRIOR YEAR TRANSACTIONS</b>	(315,659)	493,832	467,997	115,798	680,197	(1,252,131)	(55,822)	95,219	135,672	20,624	(173,920)	(210,723)	1,083
<b>NET INCREASE/DECREASE</b>	(4,537,334)	(6,452,639)	(12,537,967)	(9,590,837)	5,905,416	36,944,435	(6,490,685)	(14,072,817)	(10,855,806)	35,102,271	(13,966,436)	(5,739,188)	(6,291,588)
<b>TRAN RECEIPTS</b>	19,000,000*												19,000,000
<b>TRAN DISBURSEMENTS</b>							9,500,000*			10,255,778*			19,755,778
<b>ENDING CASH</b>	27,183,747	20,731,108	8,193,141	(1,397,696)	4,507,719	41,452,155	25,461,469	11,388,652	532,846	25,379,339	11,412,903	5,673,715	

Source: Santa Barbara Unified School District.

\* Preliminary, subject to change.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**  
**November 2020 Cash Flow (Projected)**

	Projected	Projected														
	11/1/2020	11/2/2020	11/3/2020	11/4/2020	11/5/2020	11/6/2020	11/7/2020	11/8/2020	11/9/2020	11/10/2020	11/11/2020	11/12/2020	11/13/2020	11/14/2020	Accruals	Sub-Total
<b>BEGINNING CASH</b>	(19,099,363)	(19,099,363)	(19,121,772)	(19,121,772)	(19,121,772)	(19,658,589)	(19,535,144)	(19,535,144)	(19,535,144)	(19,535,144)	(19,535,144)	(19,535,144)	(20,071,961)	(19,903,627)		
<b>RECEIPTS</b>																
Revenue Limit Sources																
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Apportionment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other State Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Local Revenue	-	297,716	-	-	-	123,445	-	-	-	-	-	-	168,334	-	-	589,496
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receipts/Non-Rev.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	-	297,716	-	-	-	123,445	-	-	-	-	-	-	168,334	-	-	589,496
<b>DISBURSEMENTS</b>																
Certificated Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Classified Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Books, Supplies and Services	-	-	-	-	534,340	-	-	-	-	-	-	534,340	-	-	-	1,068,680
Capital Outlay	-	-	-	-	2,478	-	-	-	-	-	-	2,478	-	-	-	4,955
Other Outgo	-	320,125	-	-	-	-	-	-	-	-	-	-	-	-	-	320,125
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Disbursements/Non-Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	-	320,125	-	-	536,817	-	-	-	-	-	-	536,817	-	-	-	1,393,760
<b>PRIOR YEAR TRANSACTIONS</b>																
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL PRIOR YEAR TRANSACTIONS</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE/DECREASE</b>	-	(22,409)	-	-	(536,817)	123,445	-	-	-	-	-	(536,817)	168,334	-	-	(804,264)
<b>ENDING CASH</b>	(19,099,363)	(19,121,772)	(19,121,772)	(19,121,772)	(19,658,589)	(19,535,144)	(19,535,144)	(19,535,144)	(19,535,144)	(19,535,144)	(19,535,144)	(20,071,961)	(19,903,627)	(19,903,627)		

Source: Santa Barbara Unified School District.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**  
**November 2020 Cash Flow (Projected)**

	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
	11/15/2020	11/16/2020	11/17/2020	11/18/2020	11/19/2020	11/20/2020	11/21/2020	11/22/2020	11/23/2020	11/24/2020	11/25/2020	11/26/2020	11/27/2020	11/28/2020	Accruals	Sub-Total
<b>BEGINNING CASH</b>	(19,903,627)	(19,903,627)	(1,680,009)	(1,680,009)	(1,680,009)	(2,216,826)	(2,003,603)	(2,003,603)	(2,003,603)	(2,003,603)	(1,887,067)	(1,887,067)	(2,423,884)	(2,423,884)		
<b>RECEIPTS</b>																
Revenue Limit Sources																
Property Taxes	-	19,014,197	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Apportionment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	926,891
Miscellaneous Funds	-	(790,579)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenue	-	-	-	-	-	-	-	-	-	116,536	-	-	-	-	-	-
Other State Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Local Revenue	-	-	-	-	-	213,223	-	-	-	-	-	-	-	-	-	617,226
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receipts/Non-Rev.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	-	18,223,618	-	-	-	213,223	-	-	-	116,536	-	-	-	-	-	1,544,117
<b>DISBURSEMENTS</b>																
Certificated Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,336,070
Classified Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,801,706
Employee Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,856,601
Books, Supplies and Services	-	-	-	-	534,340	-	-	-	-	-	-	534,340	-	-	-	-
Capital Outlay	-	-	-	-	2,478	-	-	-	-	-	-	2,477	-	-	-	-
Other Outgo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Disbursements/Non-Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	-	-	-	-	536,817	-	-	-	-	-	-	536,817	-	-	-	12,994,377
<b>PRIOR YEAR TRANSACTIONS</b>																
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	413,411
Accounts Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(266,786)
<b>TOTAL PRIOR YEAR TRANSACTIONS</b>																680,197
<b>NET INCREASE/DECREASE</b>	-	18,223,618	-	-	(536,817)	213,223	-	-	-	116,536	-	(536,817)	-	-	-	(10,770,063)
<b>ENDING CASH</b>	(19,903,627)	(1,680,009)	(1,680,009)	(1,680,009)	(2,216,826)	(2,003,603)	(2,003,603)	(2,003,603)	(2,003,603)	(1,887,067)	(1,887,067)	(2,423,884)	(2,423,884)	(2,423,884)	(2,423,884)	(13,193,947)

Source: Santa Barbara Unified School District.

## Alternate Cash Resources

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

### ALTERNATE CASH RESOURCES Fiscal Year 2020-21

<u>Fund</u>	<u>Projected Cash Balance As of 6/30/2020</u>	<u>Projected Cash Balance As of 6/30/2021</u>
Fund 17 – Special Reserve Non-Capital	\$11,600,000	\$11,700,000
Fund 25 – Capital Facilities	5,300,000	4,800,000
Fund 40 – Special Reserve Capital Outlay	800,000	300,000

Source: Santa Barbara Unified School District.

## DISTRICT FINANCIAL INFORMATION

### State Funding of Education

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

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

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

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

same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

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

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

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

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2020-21. However, the District's actual student enrollment may be affected by the current novel coronavirus outbreak. See “SECURITY AND SOURCES OF PAYMENT OF THE NOTES — Considerations Regarding COVID-19” herein.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Santa Barbara Unified School District**  
**Fiscal Years 2013-14 through 2020-21**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u> <sup>(1)</sup>					<u>Enrollment</u>	
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>	<u>Total ADA</u>	<u>Total Enrollment</u> <sup>(2)</sup>	<u>% of EL/LI Enrollment</u> <sup>(3)</sup>
2013-14	2,593	1,763	2,983	6,136	13,476	14,209	54.08%
2014-15	2,600	1,772	2,796	6,347	13,516	14,291	52.98
2015-16	2,439	1,814	2,780	6,287	13,320	14,134	52.13
2016-17	2,346	1,763	2,847	6,138	13,095	13,842	51.78
2017-18	2,219	1,736	2,900	6,036	12,891	13,717	52.41
2018-19	2,139	1,695	2,913	5,905	12,652	13,475	53.89
2019-20	2,064	1,597	2,740	6,051	12,452	13,208	53.08
2020-21 <sup>(4)</sup>	1,992	1,544	2,641	5,976	12,153	12,885	52.70

Note: ADA figures are rounded to the nearest whole number.

- (1) Except for fiscal year 2020-21, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Includes K-12, home and hospital, special education and community day school, but excludes charter school students and County-operated programs. An attendance month is each four-week period of instruction beginning with the first day of school for any school district.
- (2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made by the California Department of Education. Excludes charter school enrollment.
- (3) For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Since fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students has been based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
- (4) Projected.

Source: Santa Barbara Unified School District.

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

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

**Community Funded District.** Certain schools districts, known as “community funded” districts (or alternatively as “basic aid” districts), have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Community

funded school districts receive certain other non-LCFF State funding which is deemed to satisfy the “basic aid” requirement guaranteed by Article IX, Section 6 of the State Constitution. The implication for community funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants.

The District qualified as a community funded district in fiscal year 2019-20. For fiscal year 2019-20, the District estimates its local property tax receipts to exceed its total LCFF allocation by \$6,649,975, and for fiscal year 2020-21, the District projects its local property tax receipts to exceed its total LCFF allocation by \$5,259,688.

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

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

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

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

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently

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

## **Other Revenue Sources**

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

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

## **Accounting Policies**

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

## **Financial Statements of the District**

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the financial statements follows. The District's audited financial statements for the year ended June 30, 2019 are included in Appendix D hereto and should be read in their entirety.

The following table reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2014-15 through 2018-19.

**AUDITED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GENERAL FUND  
Santa Barbara Unified School District  
Fiscal Years 2014-15 through 2018-19**

	<u>Fiscal Year 2014-15</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>
<b>REVENUES</b>					
LCFF Sources	\$108,633,174	\$117,459,771	\$120,686,173	\$131,542,745	\$128,316,558
Federal Sources	6,770,450	6,139,640	6,347,464	6,737,778	7,019,970
Other State Sources	9,673,863	17,342,159	16,059,460	13,277,149	23,114,700
Other Local Sources	<u>12,069,280</u>	<u>11,857,049</u>	<u>13,116,050</u>	<u>12,322,589</u>	<u>15,429,257</u>
<b>TOTAL REVENUES</b>	137,146,767	152,798,619	156,209,147	163,880,261	173,880,485
<b>EXPENDITURES</b>					
Instruction	77,539,839	82,816,285	89,477,146	90,174,509	100,343,743
Instruction-related Activities:					
Supervision of instruction	7,154,275	7,504,703	9,299,800	10,065,312	12,929,878
Instructional Library, Media, and Technology	1,404,572	1,681,622	1,719,120	2,196,979	1,843,272
School Site Administration	9,218,310	10,316,224	10,141,456	10,535,805	10,792,566
Pupil services:					
Home-to-School Transportation	2,307,327	2,530,060	2,758,520	2,893,978	3,195,591
Food Services	602	33,336	46,684	40,696	67,189
All Other Pupil Services	9,496,754	10,814,966	10,983,854	12,306,203	13,531,847
Administration:					
Data Processing	1,856,505	3,059,290	2,591,577	2,711,924	2,698,413
All Other Administration	4,837,198	5,973,178	6,256,115	6,770,338	7,981,089
Plant Services	14,589,411	16,113,400	16,442,021	16,758,771	16,850,510
Facility Acquisition and Construction	106,607	209,038	213,012	476,910	196,672
Ancillary Services	1,611,318	1,632,706	1,647,032	1,479,784	1,675,804
Community Services	2,272,986	2,012,823	2,129,667	2,096,527	2,130,233
Other Outgo	--	--	--	--	2,978,353
Debt Service					
Principal	256,187	174,085	160,700	1,101,337	1,113,419
Interest and other	<u>68,435</u>	<u>38,521</u>	<u>13,799</u>	<u>41,496</u>	<u>30,698</u>
<b>TOTAL EXPENDITURES</b>	132,720,326	144,910,237	153,880,503	159,650,569	178,359,277
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	4,426,441	7,888,382	2,328,644	4,229,692	(4,478,792)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	213,488	--	--	--	
Transfers Out	(463,645)	(1,476,548)	(329,561)	(325,411)	(809,937)
Other Sources (Uses)	<u>--</u>	<u>218,064</u>	<u>2,019,162</u>	<u>--</u>	<u>194,949</u>
<b>NET FINANCING SOURCES (USES)</b>	(250,157)	(1,258,484)	1,689,601	(325,411)	(614,988)
<b>NET CHANGE IN FUND BALANCE</b>	4,176,284	6,629,898	4,018,245	3,904,281	(5,093,780)
<b>Fund Balance – Beginning</b>	<u>15,782,961</u>	<u>19,959,245</u>	<u>26,589,143</u>	<u>30,607,388</u>	<u>34,511,669</u>
<b>Fund Balance – Ending</b>	<u>\$19,959,245</u>	<u>\$26,589,143</u>	<u>\$30,607,388</u>	<u>\$34,511,669</u>	<u>\$29,417,889</u>

Source: Santa Barbara Unified School District.

## **Budget Process**

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

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

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

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

***Interim Financial Reports.*** Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the

remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

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

***Budgeting Trends.*** The following tables show the District’s general fund adopted budgets for fiscal years 2016-17 through 2019-20, general fund ending results for the fiscal years 2016-17 through 2018-19, and projected actual results for fiscal year 2019-20. See also “SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Actual and Projected Cashflows” herein.

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**GENERAL FUND BUDGETING**  
**Santa Barbara Unified School District**  
**Fiscal Years 2016-17 through 2019-20**

	<b>Fiscal Year 2016-17</b>		<b>Fiscal Year 2017-18</b>		<b>Fiscal Year 2018-19</b>		<b>Fiscal Year 2019-20</b>	
<b>REVENUES</b>	<b>Budgeted<sup>(1)</sup></b>	<b>Ending<sup>(1)</sup></b>	<b>Budgeted<sup>(1)</sup></b>	<b>Ending<sup>(1)</sup></b>	<b>Budgeted<sup>(1)</sup></b>	<b>Ending<sup>(1)</sup></b>	<b>Budgeted<sup>(2)</sup></b>	<b>Projected<sup>(2)</sup></b>
LCFF Sources	\$120,877,705	\$120,686,173	\$121,446,512	\$131,542,745	\$128,596,526	\$128,316,558	\$133,550,976	\$137,617,912
Federal Sources	6,032,321	6,347,464	6,494,645	6,737,778	6,234,004	7,019,970	5,961,004	7,388,216
Other State Sources	10,043,187	16,059,460	16,201,089	13,277,149	12,371,659	23,114,700	10,314,920	12,744,105
Other Local Sources	<u>7,891,537</u>	<u>13,116,050</u>	<u>5,365,308</u>	<u>12,322,589</u>	<u>9,004,356</u>	<u>15,429,257</u>	<u>14,716,788</u>	<u>15,896,869</u>
<b>TOTAL REVENUES</b>	<b>144,844,750</b>	<b>156,209,147</b>	<b>149,507,554</b>	<b>163,880,261</b>	<b>156,206,545</b>	<b>173,880,485</b>	<b>164,543,688</b>	<b>173,646,382</b>
<b>EXPENDITURES</b>								
Certificated Salaries	67,261,561	69,340,211	72,301,638	72,893,688	73,950,951	73,279,114	75,045,750	74,914,161
Classified Salaries	24,550,466	26,198,890	26,490,920	27,154,549	28,379,866	27,114,700	29,321,710	29,656,535
Employee Benefits	22,696,721	29,917,348	33,159,299	32,172,437	34,841,165	42,977,340	36,606,556	36,696,638
Books and Supplies	9,495,209	6,777,570	7,056,907	7,076,408	6,370,743	8,205,443	7,820,663	7,549,339
Services and Operating Expenditures	23,356,081	19,713,430	20,837,560	19,997,535	21,850,125	22,324,045	24,051,739	26,326,506
Capital Outlay	346,456	2,508,542	374,777	829,493	456,084	732,962	459,742	1,279,896
Transfers of Indirect Costs	--	--	--	--	--	--	(911,361)	(451,656)
Other Outgo	(351,906)	(575,488)	(566,967)	(473,540)	(556,700)	<u>3,006,096</u>	<u>3,313,600</u>	<u>3,625,643</u>
<b>TOTAL EXPENDITURES</b>	<b>147,354,588</b>	<b>153,880,503</b>	<b>159,654,134</b>	<b>159,650,569</b>	<b>165,292,234</b>	<b>178,359,277</b>	<b>175,708,379</b>	<b>179,597,062</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,509,838)</b>	<b>2,328,644</b>	<b>(10,146,580)</b>	<b>4,229,692</b>	<b>(9,085,689)</b>	<b>(4,478,792)</b>	<b>(11,164,691)</b>	<b>(5,950,680)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating Transfers In	--	--	52,000	--	--	--	--	477,767
Operating Transfers Out	(1,439,782)	(329,561)	(1,456,887)	(325,411)	(1,425,411)	(809,937)	(386,457)	(840,378)
Other Sources (Uses) – Net	--	<u>2,019,162</u>	--	--	<u>52,000</u>	<u>194,949</u>	<u>(139,230)</u>	<u>(139,230)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,439,782)</b>	<b>1,689,601</b>	<b>(1,404,887)</b>	<b>(325,411)</b>	<b>(1,373,411)</b>	<b>(614,988)</b>	<b>(525,687)</b>	<b>(501,841)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,949,620)</b>	<b>4,018,245</b>	<b>(11,551,467)</b>	<b>3,904,281</b>	<b>(10,459,100)</b>	<b>(5,093,780)</b>	<b>(11,690,378)</b>	<b>(6,452,521)</b>
<b>Beginning Balance, July 1</b>	<b>26,589,143</b>	<b>26,589,143</b>	<b>19,300,615</b>	<b>30,607,388</b>	<b>34,511,669</b>	<b>34,511,669</b>	<b>13,676,255<sup>(3)</sup></b>	<b>18,001,205<sup>(3)</sup></b>
<b>Audit Adjustments</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>271,661</b>
<b>Fund Balance, June 30</b>	<b><u>\$22,639,523</u></b>	<b><u>\$30,607,388</u></b>	<b><u>\$7,749,148</u></b>	<b><u>\$34,511,669</u></b>	<b><u>\$24,052,569</u></b>	<b><u>\$29,417,889<sup>(3)</sup></u></b>	<b><u>\$1,985,877</u></b>	<b><u>\$11,820,345</u></b>

<sup>(1)</sup> From the District's Comprehensive Audited Financial Statements for fiscal years 2016-17 through 2018-19, respectively. State of California payments to STRS (defined herein) on behalf of the District are included in the Audited revenues and expenditures, but have not been included in the Budgeted revenues and expenditures.

<sup>(2)</sup> From the District's second interim financial report for fiscal year 2019-20.

<sup>(3)</sup> Variance between ending and beginning balances reflects the fact that the Special Reserve Fund for Other Than Capital Outlay Projects and the Deferred Maintenance Fund have, pursuant to GASB rules, been consolidated into the audited revenues and expenditures for prior fiscal years, but are not included in the budgeted and projected revenues and expenditures for the current fiscal year.

Source: Santa Barbara Unified School District.

## State Budget Measures

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

**2019-20 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 summaries of the 2019-20 Budget prepared by the DOF and the LAO.

For fiscal year 2018-19, the 2019-20 Budget projected total general fund revenues and transfers of \$138 billion and total expenditures of \$142.7 billion. The State was 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 projected total general fund revenues and transfers of \$143.8 billion and authorized expenditures of \$147.8 billion. The State was 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 authorized a deposit to the PSSSA of \$376.5 million in order to comply with Proposition 2. The amount was projected to be 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 – Proposition 2 – SB 858; SB 751."

For fiscal year 2019-20, the 2019-20 Budget set the minimum funding guarantee at \$81.1 billion. With respect to K-12 education, ongoing per-pupil spending was 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. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "—State Funding of Education – Local Control Funding Formula" herein.
- *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 allocated (i) \$152.6 million to provide all special education local plan areas 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 See "SANTA BARBARA UNIFIED SCHOOL DISTRICT –District Retirement Systems" herein.

- *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 included \$89.8 million 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 held 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 DOF and LAO websites at [www.dof.ca.gov](http://www.dof.ca.gov) and [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

***Proposed 2020-21 Budget.*** On January 10, 2020, the Governor released his proposed State budget for fiscal year 2020-21 (the "Proposed 2020-21 Budget"). The following information is drawn from the summaries of the Proposed 2020-21 Budget prepared by the DOF and the LAO.

For fiscal year 2019-20, the Proposed 2020-21 Budget projects total general fund revenues and transfers of \$146.5 billion and total expenditures of \$149.7 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$20 billion, including \$3.1 billion in the traditional general fund reserve, \$16 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs. The Proposed 2020-21 Budget also increases the deposit into the PSSSA by \$147.7 million, for a total of \$524 million, in order to comply with Proposition 2. The amount continues to be 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 – Proposition 2 – SB 858; SB 751."

For fiscal year 2020-21, the Proposed 2020-21 Budget projects total general fund revenues and transfers of \$151.6 billion and authorizes expenditures of \$153.1 billion. The State is projected to end the

2020-21 fiscal year with total available general fund reserves of \$20.5 billion, including \$1.6 billion in the traditional general fund reserve, \$18 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Proposed 2020-21 Budget projects a balance in the PSSSA of \$487 for the 2020-21 fiscal year. This amount is below the amount required to trigger certain maximum local reserve levels for school districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2 – SB 858; SB 751.” Pursuant to the provisions of Proposition 2, the Proposed 2020-21 Budget also projects a draw on the PSSSA of approximately \$37.6 million.

The Proposed 2020-21 Budget makes certain revisions to Proposition 98 funding levels set by prior budgetary legislation. For fiscal year 2018-19, the minimum funding guarantee is revised to \$78.4 billion, an increase of \$301.5 million from prior levels. For fiscal year 2019-20, the minimum funding guarantee is revised to \$81.6 billion, an increase of \$517 million from the prior level. These increases are due largely to increases in property tax revenues in fiscal year 2018-19, and increases in State general fund revenues in both fiscal years.

For fiscal year 2020-21, the Proposed 2020-21 Budget sets the minimum funding guarantee at \$84 billion, an increase of approximately \$2.6 billion over the revised prior year level. With respect to K-12 education, ongoing per-pupil spending is set at \$17,964. Due to the year-to-year growth in State revenues and a projected decline in ADA, fiscal year 2020-21 is projected to be a “Test 1” year. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$1.2 billion in Proposition 98 funding for the LCFF, reflecting a 2.29% COLA. This would bring total LCFF funding to \$64.2 billion. The Proposed 2020-21 Budget also includes \$600,000 in one-time Proposition 98 funding to improve LCFF fiscal accountability by making Statewide LCAP information more accessible to the public. Finally, the Proposed 2020-21 Budget includes an increase of \$5.7 million in LCFF funding for county offices of education, reflecting a 2.29% COLA.
- *Categorical Programs* – An increase of \$122.4 million in Proposition 98 funding for categorical programs that remain outside the LCFF, reflecting a 2.29% COLA.
- *Special Education* – A new special education base funding formula using a three-year rolling average of local educational agency ADA allocated to special education local plan areas. This funding level would include a 15% increase in the Proposition 98 contribution to the funding rate provided in the prior year’s budgetary legislation. The Proposed 2020-21 Budget also includes an additional \$250 million in ongoing Proposition 98 funding based on the number of children between ages three and five with exceptional needs. Funding would be allocated on a one-time basis to school districts based on the number of preschool-age children with disabilities.
- *Educator Recruitment and Professional Development* - \$900 million in one-time Proposition 98 funding for six initiatives aimed at improving school employee training, recruitment and retention.
- *Community Schools* - \$300 million in one-time Proposition 98 funding to implement community school models which typically integrate health, mental health and other services for students and families and provides these services directly on school campuses.
- *Opportunity Grants* - \$300 million in one-time Proposition 98 funding to establish opportunity grants for low-performing schools and school districts and to expand the Statewide system of support therefor.

- *Computer Science* - \$15 million in one-time Proposition 98 funding for grants to local educational agencies to support K-12 teachers earning a supplemental authorization to their teaching credential to teach computer science. The Proposed 2020-21 Budget also provides \$2.5 million in one-time Proposition 98 funding for county offices of education to identify, compile and share resources for computer science professional development, curriculum and best practices.
- *School Nutrition* - \$60 million in Proposition 98 funding to increase funding for school nutrition. Additionally, the Proposed 2020-21 Budget includes \$10 million in Proposition 98 funding to provide training for school food service workers.
- *School Facilities* – \$400 million in one-time, non-Proposition 98 funding for eligible school districts to construct new, or to retrofit existing, facilities for full-day kindergarten programs.
- *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 Proposed 2020-21 Budget, see the DOF website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO’s website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

The Proposed 2020-21 Budget was prepared prior to the COVID-19 outbreak, and the projections included therein did not account for any of the negative economic impacts to date associated with the outbreak, nor any potential impacts yet to be realized. See “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Considerations Regarding COVID-19.” The May Revision to the Proposed 2020-21 Budget (the “May Revision”) reflects, and the final budget approved by the Legislature could reflect, significantly lower projections of State revenues or higher projections of State expenditures.

**May Revision.** On May 14, 2020, the Governor released his May Revision to the Proposed 2020-21 Budget. The following information is drawn from the LAO’s summary of the May Revision, as well as certain information from the LAO’s preliminary response to the May Revision.

The May Revision acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State’s economy, including nearly 4 million unemployment claims from mid-March through May 9, 2020. While job losses have occurred in nearly every sector, the May Revision indicates that losses have been most acute in leisure and hospitality, retail and personal services. Lower wage workers have also disproportionately borne the impact of job losses. The May Revision projects that the 2020 unemployment rate will peak at approximately 24.5% in the second quarter of 2020. Average wages in most sectors are also projected to decline as firms freeze hiring, postpone bonus and salary increases and cut work hours. The economic consequences of the pandemic are also expected to negatively impact other sources of income beyond wages and salaries. California personal income, which includes income from wages and salaries, businesses ownership, property ownership and government transfers is expected to decrease by 9 percent (or \$230 billion) in 2020, and is not projected to return to pre-pandemic levels until fiscal year 2022-23.

As compared to the projections included in the Proposed 2020-21 Budget, the State’s three main revenues sources are projected to decline as follows: (i) personal income taxes by \$33 billion, (ii) sales and use tax receipts by \$10 billion, and (iii) corporation taxes by \$5 billion. The May Revision projects that total State general fund revenues will decline by \$41.2 billion from the projected level included in the Proposed 2020-21 Budget, including \$9.7 billion allocable to fiscal year 2019-20 and \$32 billion allocable to fiscal year 2020-21. The May Revision also anticipates that the State budget will face higher

direct costs associated with responding to the COVID-19 outbreak and higher caseload-related costs to State safety net programs in light of worsening economic conditions. Collectively, these revenue reductions and cost increases are projected to result in an overall State budget deficit of approximately \$54.3 billion, absent the implementation of the May Revision's proposals.

The May Revision proposes a number of measures intended to address the projected deficit:

- *Baseline Adjustments* – The May Revision includes two “baseline” adjustments that do not require changes to current law in order to implement. Specifically, the May Revision would (i) recognize \$4.3 billion in State general fund budgetary solutions as a result of recent federal congressional approval for a temporary increase in the federal government's share of State Medicaid costs, and (ii) remove or modify \$2.1 billion in new spending proposals previously included in the Proposed 2020-21 Budget.
- *Draw Down of Reserves* – The May Revision would draw down \$16.2 billion of funds in the BSA over three fiscal years, including \$7.8 billion in fiscal year 2020-21, and allocate the Safety Net Reserve Fund to offset increased health and human services costs.
- *Increase Revenues* – The May Revision would temporarily suspend corporate net operating loss tax deductions and limit business tax credits, with an estimated increase in tax revenues of \$4.4 billion in fiscal year 2020-21.
- *Adjust K-14 Spending* – As a result of the projected drop in State general fund revenues, the May Revision projects a resulting drop in the Proposition 98 minimum funding guarantee (as further discussed herein). The May Revision proposes to reduce K-14 funding accordingly, resulting in State general fund savings of approximately \$16.5 billion.
- *Reduced Spending* – The May Revision proposes a number of flat reductions across programs or rates in several areas, with an estimated \$4.9 billion in savings. Approximately \$3.6 billion of these cuts are subject to being “triggered” off if sufficient federal funding is received. The May Revision also proposes approximately \$5.6 billion of targeted reductions to certain programs or benefit levels, of which \$2.3 billion is subject to triggers.
- *Cost Shifts* – The May Revision proposes \$3.3 billion in loans and transfers from special funds. The May Revision also proposes approximately \$1.7 billion in pension-related proposals that would shift certain State CalPERS and CalSTRS costs.
- *Federal Funds* – The United States Congress recently established the Coronavirus Relief Fund (“CRF”) to provide state, local, tribal and territorial governments money for necessary public health expenditures incurred in connection with the COVID-19 outbreak. California is eligible for approximately \$9.5 billion from the CRF, and the May Revision assumes that the State can use \$3.8 billion to offset underlying State costs. The May Revision proposes to remit the balance of these funds to local educational agencies (\$4 billion), counties (\$1.3 billion) and cities (\$450 million).

For fiscal year 2019-20, the May Revision projects total general fund revenues and transfers of \$136.8 billion and authorizes expenditures of \$146.5 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$17.1 billion, including \$16.2 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the May Revision projects total general fund revenues and transfers of \$137.4 billion and authorizes expenditures of \$133.9 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of \$10.8

billion, including \$1.96 billion in the traditional general fund reserve, \$8.4 billion in the BSA and \$450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 outbreak, the May Revision estimates that the Proposition 98 minimum funding guarantee will decline by approximately \$19 billion from the level included in the Proposed 2020-21 Budget. This is equal to an approximate 23% reduction in the guarantee from the prior-year level. Moreover, as a result of declining ADA projections and per-capita income numbers, the May Revision projects that, absent remedial action, the minimum funding guarantee will stay at a depressed level throughout the May Revision's revenue forecast.

The May Revision proposes several measures intended to ameliorate the immediate impact of COVID-19 to education funding, including (i) temporary revenue increases, as discussed above, which are projected to result in additional State general fund revenues that count toward the minimum funding guarantee, (ii) a one-time investment of \$4.4 billion in federal relief funds, as previously discussed, to local educational agencies to address learning losses related to COVID-19, and (iii) redirecting funds previously allocated towards prefunding accrued CalSTRS and CalPERS liabilities, and instead applying those funds to further reduce local educational agency contribution rates for such programs in fiscal years 2020-21 and 2021-22.

The May Revision also proposes a new, multi-year payment obligation to supplement K-14 education funding. The total obligation would equal approximately \$13 billion, and reflects the administration's estimate of the additional funding K-14 school districts would have received in the absence of COVID-19-related reductions. Under this proposal the State would make annual payments toward this obligation beginning in fiscal year 2021-22. These payments would equal 1.5% of State general fund revenue, and could be allocated to any school or community college program. The May Revision also proposes to recalibrate the Proposition 98 funding formula so that a portion of these supplemental payments would increase K-14 education funding on a permanent basis. Specifically, the May Revision proposes increasing the share of State general fund revenue required to be spent on K-14 community college districts from 38% to 40%.

Other significant features of K-12 education funding in the May Revision include the following:

- *Local Control Funding Formula* – Absent additional federal funds, the May Revision projects a required reduction to LCFF funding of \$6.5 billion, including the elimination of the previously-proposed 2.31% COLA. The May Revision also proposes apportionment deferrals in fiscal year 2019-20 of approximately \$1.9 billion to the following fiscal year, and an additional \$3.4 billion in fiscal year 2020-21. The May Revision also includes provisions that would exempt local educational agencies from apportionment deferrals that create a documented hardship.
- *Rate Increases and Programmatic Expansions* – The May Revision rescinds approximately \$1.8 billion in funding increases and programmatic expansions in a number of areas, including but not limited to workforce development, community schools, special education preschool, teacher residency programs, credentialing and child nutrition. Additionally, the May Revision suspends the statutory COLA of 2.31% in fiscal year 2020-21 for all eligible programs.
- *Categorical Programs* – Absent additional federal funds, the May Revision provides for approximately \$352.9 million in reductions to a wide variety of categorical programs.

Funding levels also reflect a decrease of \$10.9 million in Proposition 98 funding for selected categorical programs, based on updated ADA estimates.

- *Flexibilities for Local Educational Agencies* – Recognizing the challenges that COVID-19 is creating at the local level, the May Revision includes provisions intended to provide local educational agencies with fiscal and programmatic flexibility, including (i) exemptions from apportionment deferrals (as discussed above), (ii) subject to public hearing, increases in inter-fund borrowing limits and (iii) authority to use proceeds from the sale of surplus property for one-time general fund purposes.

For additional information regarding the May Revision, see the DOF website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

***Future Actions and Events.*** 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. The COVID-19 outbreak has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels for fiscal year 2019-20 and beyond. In addition, the outbreak could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Considerations Related to COVID-19" herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 outbreak described above. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

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## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

### Article XIII A of the California Constitution

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

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

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast of the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

***Split Roll Property Tax Ballot Measures.*** On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “Ballot Measure 1851”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1851 would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, Ballot Measure 1851 would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Ballot Measure 1851, approximately 40% of the remaining additional tax revenues generated as a result of Ballot Measure 1851 would be deposited into a fund created pursuant to Ballot Measure 1851 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement.

Proponents of Ballot Measure 1851 subsequently announced a revised version of its ballot initiative which has since been circulated for signature (the “Ballot Measure 1870” and, together with Ballot Measure 1851, the “Split Roll Measures”). According to a random sample released by the Secretary of State, Ballot Measure 1870 has received sufficient signatures, if deemed valid, for Ballot Measure 1870 to become eligible for the November 2020 Statewide ballot. Like Ballot Measure 1851, Ballot Measure 1870 would similarly amend the determination of “full cash value” of commercial and industrial real property, however the Split Roll Measures differ in the threshold at which commercial and industrial properties would be taxed at market value, which small business-owned properties would continue to be taxed based on purchase price, and how revenue would be allocated for schools.

The District cannot predict whether Ballot Measure 1870 will qualify for the November 2020 Statewide ballot, whether either Split Roll Measure will appear on the Statewide ballot at the November 2020 election or, if either does, whether such Split Roll Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of either Split Roll Measure will have on District revenues or the assessed valuation of real property in the District.

***Property Tax Base Transfer Ballot Measure.*** On April 22, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (“Ballot Measure 1864”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1864 would: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot predict whether Ballot Measure 1864 will appear on the Statewide ballot at the November 2020 election or, if it does, whether Ballot Measure 1864 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of Ballot Measure 1864 will have on assessed valuation of real property in the District.

### **Legislation Implementing Article XIII A**

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

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate

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

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

### **Proposition 50 and Proposition 171**

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

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

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

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

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

Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

### **Article XIII B of the California Constitution**

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

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

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

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

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

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

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

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

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution

Articles XIIC and XIID, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

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

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

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC 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 XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

## Propositions 98 and 111

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

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in California per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned

to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. A complex adjustment was made to the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools (also referred to as a "maintenance factor") which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### ***Jarvis v. Connell***

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized

under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

### **Proposition 1A and Proposition 22**

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

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

## **Proposition 55**

The California Children’s Education and Health Care Protection Act of 2016 (also known as “Proposition 55”) is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

## **Proposition 2**

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

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

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

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to 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 XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

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

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

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

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the California Constitution and Propositions 98, 39, 22, 26, 30 and 55 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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## SANTA BARBARA UNIFIED SCHOOL DISTRICT

### General Information

The District is located in the County and is governed by a five-member Board. The District encompasses approximately 136.4 square miles, which includes the cities of Santa Barbara and Goleta, and certain unincorporated areas, including the community of Montecito. The District currently operates 9 elementary schools, one community academy, 15 children’s centers, seven after school child care centers, four junior high schools (grades 7-8), one alternative high school (grades 9-12), one continuation high school (grades 9-12) and three high schools (grades 9-12). There are also three charter schools operating within the District, one of which is affiliated with the District. For fiscal year 2020-21, enrollment in the District is projected to be 12,885 students and ADA is projected to be 12,153 students. However, the District’s actual attendance may be affected by the current coronavirus outbreak. See “SECURITY AND SOURCES OF PAYMENT OF THE NOTES – Considerations Related to COVID-19” herein.

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

### Administration

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

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

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

***Cary Matsuoka, Superintendent.*** Mr. Cary Matsuoka was appointed Superintendent of the District effective July 1, 2016. Prior thereto, Mr. Matsuoka was Superintendent for four years at the Milpitas Unified School District and Superintendent for five years at Los Gatos-Saratoga Union High School District. Mr. Matsuoka has over 33 years of experience in public education, having served as a high school teacher, assistant principal, principal, coordinator of guidance and assessment, and then Superintendent. Mr. Matsuoka holds a Master of Arts degree in Educational Administration from San Jose State University and Bachelor of Science with Honors in Nutrition Science.

***Hilda Maldonado, Superintendent Designee.*** Ms. Maldonado has been appointed Superintendent of the District, effective July 1, 2020. Ms. Maldonado has spent 32 years with the Los Angeles Unified School District (LASUSD), currently serving as the Associate Superintendent of LAUSD. Ms. Maldonado is currently completing a doctorate degree at Loyola Marymount University in Social Justice Leadership.

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

### **Charter Schools**

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

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

There are three charter schools currently operating within the District, one of which is affiliated (collectively, the “Charter Schools”). The following table shows enrollment figures for the District’s Charter Schools for the past nine fiscal years, together with a projection for fiscal year 2020-21.

**CHARTER SCHOOL ENROLLMENT**  
**Santa Barbara Unified School District**  
**Fiscal Years 2010-11 through 2020-21**

<u>Fiscal Year</u>	<u>Affiliated Charter School</u>	<u>Independent Charter Schools</u>
2010-11	256	928
2011-12	287	929
2012-13	308	975
2013-14	307	976
2014-15	306	1,008
2015-16	300	1,000
2016-17	300	1,020
2017-18	287	1,038
2018-19	287	1,039
2019-20	282	1,048
2020-21 <sup>(1)</sup>	300	1,050

<sup>(1)</sup> Projected.

*Source: Santa Barbara Unified School District.*

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

**Employee Relations**

The District currently employs approximately 808 full-time equivalent (“FTE”) certificated employees and 648 FTE classified employees. In addition, the District employs 98 part-time faculty and staff. District employees, except management and some part-time employees, are represented by two bargaining units as noted below.

**BARGAINING UNITS**  
**Santa Barbara Unified School District**

<u>Labor Organization</u>	<u>Number of Employees In Bargaining Unit</u>	<u>Contract Expiration Date</u>
Santa Barbara Teachers Association	729	06/30/2021
California School Employees Association (CSEA)	589	06/30/2021

*Source: Santa Barbara Unified School District.*

## District Retirement Systems

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

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

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

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

### MEMBER CONTRIBUTION RATES STRS (Defined Benefit Program)

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

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Source: AB 1469.

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

commencing July 1, 2019, the contribution rate was 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date. For fiscal year commencing July 1, 2020, the contribution rate will be 10.250% for employees hired before the Implementation Date and 10.205% employees hired after the Implementation Date.

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)**

<u>Effective Date</u>	<u>K-14 school districts</u>
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

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*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 2019-20 Budget. 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, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer’s share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment will be reflected in the June 30, 2020 actuarial valuation. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

The District’s contribution to STRS was \$7,345,860 in fiscal year 2015-16, \$8,828,915 in fiscal year 2016-17, \$10,674,450 in fiscal year 2017-18 and \$12,208,311 in fiscal year 2018-19. The District projects \$12,861,331 as its contribution to STRS for fiscal year 2019-20, and has budgeted a contribution of \$13,259,997 for fiscal year 2020-21.

The State also contributes to STRS, currently in an amount equal to 7.828% for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. 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. The STRS Board approved State supplemental contribution rate for fiscal year 2020-21 reflects an increase of 0.5% of payroll, the maximum allowed under current law.

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

**PERS.** Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2018 included 1,579 public agencies and 1,313 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.733% of eligible salary expenditures in fiscal year 2019-20. The employer contribution rate for fiscal year 2020-21 will be 22.68%, which reflects an initial actuarially determined rate of 23.35% that has been reduced by 0.67% pursuant to SB 90. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20 and will be 7% of such salaries in fiscal year 2020-21, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20 and will be 7% in fiscal year 2020-21. 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. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 is 19.721%. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein.

The District's contribution to PERS was \$3,255,732 in fiscal year 2015-16, \$3,933,654 in fiscal year 2016-17, \$4,614,002 in fiscal year 2017-18 and \$5,780,811 in fiscal year 2018-19. The District projects \$6,594,083 as its contribution to PERS for fiscal year 2019-20, and has budgeted a contribution of \$7,137,690 for fiscal year 2020-21.

***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](http://www.calstrs.com); (ii) PERS: [www.calpers.ca.gov](http://www.calpers.ca.gov). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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

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**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS (Schools Pool)**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2018-19**

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)<sup>(2)</sup></u>	<u>Unfunded Liability (MVA)<sup>(2)</sup></u>	<u>Value of Trust Assets (AVA)<sup>(3)</sup></u>	<u>Unfunded Liability (AVA)<sup>(3)</sup></u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)<sup>(3)</sup></u>	<u>Unfunded Liability (AVA)<sup>(3)</sup></u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	73,325	56,814	16,511	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	77,544	55,785	21,759	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2016-17	84,416	60,865	23,551	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2017-18	92,071	64,846	27,225	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2018-19 <sup>(5)</sup>	99,528	68,177	31,351	-- <sup>(4)</sup>	-- <sup>(4)</sup>

<sup>(1)</sup> Amounts may not add due to rounding.

<sup>(2)</sup> Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

<sup>(3)</sup> Reflects actuarial value of assets.

<sup>(4)</sup> Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

<sup>(5)</sup> On April 21, 2020, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2020-21 and released certain actuarial information to be incorporated into the June 30, 2019 actuarial valuation to be released in the latter half of 2020.

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) (the “2017 Experience Analysis”), 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%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hire before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2019 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed, additional State contributions, and actuarial asset gains recognized from the current and prior years, the 2019 STRS Actuarial Valuation reports that the unfunded actuarial obligation decreased by \$1.5 billion since the 2018 STRS Actuarial Valuation and the funded ratio increased by 2.0% to 66.0% over such time period.

According to the 2019 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 and includes the \$1.117 billion State contribution made in July 2019 pursuant to SB 90.

The actuary for the STRS Defined Benefit Program notes in the 2019 STRS Actuarial Report that, since such report is dated as of June 30, 2019, the significant declines in the investment markets that have occurred in the first half the 2020 calendar year are not directly reflected in the 2019 STRS Actuarial Report. The actuary notes that such declines will almost certainly impact the future of the STRS Defined Benefit Program funding, and that, all things being equal, it is expected that the actuarial valuation for the fiscal year ending June 30, 2020 will show a greater increase in the projected State contribution rate (and possibly the employer rate) and a possible decline in the funded ratio. See “SECURITY AND SOURCES OF PAYMENT OF THE NOTES – Considerations Regarding COVID-19” herein.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the

following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

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

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

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

On April 21, 2020, the PERS Board established the employer contribution rates for 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25% to 7.00% and investment return in 2018-19 being lower than expected. The funded status as

of June 30, 2019 does not reflect the State's additional payment of \$660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2021-22 is projected to be 24.6%, with annual increases thereafter, resulting in a projected 26.2% employer contribution rate for fiscal year 2026-27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

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

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

***GASB Statement Nos. 67 and 68.*** On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the

financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. 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. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2019, the District's reported shares of the net pension liabilities for STRS and PERS were \$127,330,903 and \$59,614,779, respectively. For more information, see "— Existing Indebtedness – Long-Term Debt" herein and "APPENDIX D –2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

### **Other Post-employment Benefits**

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

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

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

**Funding Policy.** Expenditures for the Benefits are recognized on a pay-as-you-go basis to cover the cost of premiums for current retirees, plus additional periodic contributions from available funds to prefund the accrued liability (as further discussed below). For fiscal year 2015-16 through 2018-19, the District contributed \$1,005,219, \$1,035,118, \$1,078,676 and \$1,110,938 to the Plan, respectively. The District estimates \$579,741 for such expenditures in fiscal year 2019-20, and projects \$592,723 for its contribution in fiscal year 2020-21. The District has established an irrevocable trust (the "OPEB Trust") to begin funding its accrued liability for the Benefits and has made a deposit into the trust of approximately \$2,000,000 for fiscal year 2019-20. The fund balance was \$4,393,366.36 as of March 31, 2020.

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

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

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District’s financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. For fiscal year 2018-19, the District reported a Total OPEB Liability of \$11,004,538, a Fiduciary Net Position of \$1,110,972 and a Net OPEB Liability of \$9,893,566. See also “APPENDIX D –2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10” attached hereto.

**Actuarial Study.** The District’s most recent actuarial study calculated the District’s accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2019 valuation date, the District’s Total OPEB Liability was \$11,004,538, its Fiduciary Net Position was \$1,110,972 and its Net OPEB Liability was \$9,853,566. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District’s health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately.

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

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District

benefit payments. Benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB statements No. 74 and No. 75. The District's proportionate share of the net MPP Program liability as of June 30, 2019 was \$951,834.

## **Risk Management**

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

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

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

See also APPENDIX D – "2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

## ***Ad Valorem Property Taxation***

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes, plus any other service fees deemed reasonably necessary by the County. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing

authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

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

**Assessed Valuations**

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

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

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

**ASSESSED VALUATIONS  
Santa Barbara Unified School District  
Fiscal Years 2010-11 through 2019-20**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2010-11	\$33,797,215,759	\$45,380,978	\$1,383,601,297	\$35,226,198,034
2011-12	34,246,122,760	45,530,978	1,412,072,328	35,703,726,066
2012-13	34,690,216,982	8,190,574	1,366,213,338	36,064,620,894
2013-14	36,522,072,465	8,670,574	1,369,984,396	37,900,727,435
2014-15	38,427,219,223	10,260,574	1,361,136,760	39,798,616,557
2015-16	40,392,738,947	7,254,026	1,591,368,270	41,991,361,243
2016-17	42,501,795,945	10,720,574	1,535,593,345	44,048,109,864
2017-18	44,894,107,379	10,150,884	1,579,412,625	46,483,670,888
2018-19	47,201,062,251	5,230,884	1,606,320,589	48,812,613,724
2019-20	49,603,255,825	5,420,884	1,606,323,751	51,215,000,460

*Source: California Municipal Statistics, Inc.*

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

## **Taxation of State-Assessed Utility Property**

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

## **Appeals and Reductions of Assessed Valuations**

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

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

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

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

**Assembly Bill 102.** On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for

maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

### **Alternative Method of Tax Apportionment - “Teeter Plan”**

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

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

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

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer’s control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

In addition, on May 6, 2020, the Governor signed Executive Order N-61-20 (“Order N-61-20”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent, subject to certain conditions set forth in in Order N-61-20. See “SECURITY AND SOURCES OF PAYMENT OF THE NOTES — Considerations Regarding COVID-19” herein.

## Existing Indebtedness

**Short-Term Debt.** On July 2, 2019, the District issued \$10,000,000 of its 2019-20 Tax and Revenue Anticipation Notes (the “2019 Notes”) to finance then-projected cashflow deficits for fiscal year 2019-20. The 2019 Notes bear interest at a rate of 3.00%, with a yield to maturity of 1.230%. The District has pledged a portion of its 2019-20 unrestricted revenues to the payment of the 2019 Notes. The 2019 Notes mature on June 30, 2020.

**Long-Term Debt.** A schedule of changes in long-term debt for the year ended June 30, 2019, is shown below:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Accretions/</u> <u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
General obligation bonds	\$255,233,313	\$73,893,706	\$10,345,000	\$318,782,019
Premium on issuance	14,989,092	5,168,178	1,096,739	19,060,531
Capital leases	1,117,485	194,949	1,115,143	197,291
Compensated absences	1,927,701	--	138,147	1,789,554
Career Technical Education	621,058	--	621,058	--
Facilities Loan				
Supplemental Early Retirement Plan	513,082	--	513,082	--
Net Other Post-Employment Benefits				
Liability	<u>11,867,709</u>	<u>--</u>	<u>1,636,504</u>	<u>10,845,400</u>
Totals	<u>\$286,269,440</u>	<u>\$79,871,028</u>	<u>\$15,465,673</u>	<u>\$350,674,795</u>

Source: Santa Barbara Unified School District.

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

<u>Fiscal Year</u>	<u>Lease Payments</u>
2019-20	\$59,502
2020-21	<u>11,435</u>
Total	<u>\$70,937</u>
Less: Amount representing interest	34,727
Present value of minimum lease payments	<u>\$36,210</u>

**Career Technical Education Facilities Loan.** During fiscal year 2011-12, the District entered into an agreement with the State Allocation Board for a loan of \$1,442,158 for the purpose of financing a portion of the project costs of the Multimedia Arts and Design Academy Relocation Project at Santa Barbara High School. The loan has a final maturity of July 1, 2021, with an interest rate of 2.568%. At June 30, 2019, the principal balance outstanding was \$471,648. Future payments are shown in the table on the following page.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-20	\$153,247	\$12,112	\$165,359
2020-21	157,182	8,176	165,359
2021-22	161,219	4,140	165,359
Total	<u>\$471,648</u>	<u>\$24,428</u>	<u>\$496,077</u>

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

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

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

<u>Issuance</u>	<u>Initial Principal Amount</u>	<u>Principal Outstanding<sup>(1)</sup></u>	<u>Date of Delivery</u>
<b><i>Elementary School District Bonds</i></b>			
General Obligation Bonds, Election of 2010, Series A	\$14,998,228.70	\$11,723,604.60	5/18/2011
General Obligation Bonds, Election of 2010, Series B <sup>(2)</sup>	20,000,000.00	17,885,000.00	9/5/2013
<b><i>High School District Bonds</i></b>			
General Obligation Bonds, Election of 2010, Series A	15,798,210.65	11,873,663.00	5/18/2011
General Obligation Bonds, Election of 2010, Series B, Qualified School Construction Bonds	9,200,000.00	8,400,000.00	5/18/2011
General Obligation Bonds, Election of 2010, Series C <sup>(2)</sup>	14,997,217.75	14,693,923.45	6/19/2012
General Obligation Bonds, Election of 2010, Series D <sup>(2)</sup>	35,000,000.00	31,445,000.00	9/5/2013
<b><i>District Bonds</i></b>			
2012 General Obligation Refunding Bonds, Series A <sup>(3)</sup>	16,160,000.00	10,785,000.00	6/19/2012
2012 General Obligation Refunding Bonds, Series B <sup>(4)</sup>	11,745,000.00	7,390,000.00	7/6/2012
2014 General Obligation Refunding Bonds <sup>(3)</sup>	14,235,000.00	11,030,000.00	12/22/2014
Election of 2016 General Obligation Bonds, Series A <sup>(5)</sup>	50,000,000.00	39,970,000.00	4/11/2017
2017 General Obligation Refunding Bonds, Series A <sup>(3)</sup>	20,680,000.00	19,045,000.00	11/16/2017
2017 General Obligation Refunding Bonds, Series B <sup>(4)</sup>	12,190,000.00	10,785,000.00	11/16/2017
Election of 2016 General Obligation Bonds, Series B <sup>(5)</sup>	50,000,000.00	50,000,000.00	2/27/2019
<b><i>Improvement District Bonds</i></b>			
Election of 2016 General Obligation Bonds, Series A <sup>(6)</sup>	20,000,000.00	17,950,000.00	4/11/2017
Election of 2016 General Obligation Bonds, Series B <sup>(6)</sup>	20,000,000.00	20,000,000.00	2/27/2019

<sup>(1)</sup> As of May 1, 2020.

<sup>(2)</sup> Issued by the District subsequent to the unification of the Elementary School District and High School District.

<sup>(3)</sup> Refunded bonds previously issued by the High School District and payable from *ad valorem* property taxes levied within the boundaries of the District.

<sup>(4)</sup> Refunded bonds previously issued by the Elementary School District and payable solely from *ad valorem* property taxes levied within the former boundaries of the Elementary School District.

<sup>(5)</sup> Payable solely from *ad valorem* property taxes levied within the boundaries of the District.

<sup>(6)</sup> Payable solely from *ad valorem* property taxes levied within the Improvement District.

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

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

<u>Year Ending August 1</u>	<u>2010 Elementary School District Series A Bonds</u>	<u>2012 Refunding Bonds Series B</u>	<u>2010 Elementary School District Series B Bonds</u>	<u>2017 Refunding Bonds Series B</u>	<u>Total Annual Debt Service</u>
2020	--	\$1,018,656.26	\$1,486,525.00	\$1,118,600.00	\$3,623,781.26
2021	--	1,019,656.26	1,582,025.00	1,142,900.00	3,744,581.26
2022	--	1,019,456.26	1,601,425.00	1,228,500.00	3,849,381.26
2023	--	1,015,206.26	1,595,675.00	1,334,500.00	3,945,381.26
2024	\$1,299,551.16	1,014,206.26	1,589,112.50	304,900.00	4,207,769.92
2025	1,299,551.16	1,001,206.26	1,590,612.50	484,900.00	4,376,269.92
2026	1,299,551.16	794,506.26	1,584,862.50	775,900.00	4,454,819.92
2027	1,299,551.16	657,318.76	1,537,112.50	1,041,900.00	4,535,882.42
2028	1,299,551.16	657,981.26	1,519,362.50	1,173,400.00	4,650,294.92
2029	1,299,551.16	657,225.00	1,510,112.50	1,306,400.00	4,773,288.66
2030	1,299,551.16	--	1,380,268.76	2,061,200.00	4,741,019.92
2031	1,299,551.16	--	1,387,968.76	2,215,200.00	4,902,719.92
2032	4,144,551.16	--	1,357,181.26	--	5,501,732.42
2033	4,340,401.16	--	1,325,700.00	--	5,666,101.16
2034	4,548,601.16	--	1,292,250.00	--	5,840,851.16
2035	4,761,351.16	--	1,255,500.00	--	6,016,851.16
2036	4,986,217.83	--	1,208,000.00	--	6,194,217.83
2037	5,225,199.10	--	1,150,250.00	--	6,375,449.10
2038	5,473,669.80	--	1,002,750.00	--	6,476,419.80
2039	5,734,287.00	--	--	--	5,734,287.00
2040	6,007,800.00	--	--	--	6,007,800.00
2041	6,290,000.00	--	--	--	6,290,000.00
Total	<u>\$61,908,455.90</u>	<u>\$8,855,418.84</u>	<u>\$26,956,693.78</u>	<u>\$14,188,300.00</u>	<u>\$111,908,900.27</u>

Source: Santa Barbara Unified School District.

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

**COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE - THE HIGH SCHOOL DISTRICT**  
**Santa Barbara Secondary/High School District**

<b>Year Ending August 1</b>	<b>2010 High School District Series A Bonds</b>	<b>2010 High School District Series B Bonds<sup>(1)</sup></b>	<b>2010 High School District Series C Bonds</b>	<b>2012 Refunding Bonds Series A</b>	<b>2010 High School District Series D Bonds</b>	<b>2014 Refunding Bonds</b>	<b>2017 Refunding Bonds Series A</b>	<b>Total Annual Debt Service</b>
2020	--	\$1,206,327.00	\$150,000.00	\$1,319,168.76	\$2,172,012.50	\$1,260,200.00	\$1,547,700.00	\$7,655,408.26
2021	--	1,408,305.46	155,000.00	1,318,768.76	2,173,762.50	1,261,200.00	1,550,950.00	7,867,986.72
2022	--	1,627,868.70	165,000.00	1,321,968.76	2,149,012.50	1,260,200.00	1,545,950.00	8,069,999.96
2023	--	1,826,617.36	178,800.00	1,318,968.76	2,139,012.50	1,262,200.00	1,549,950.00	8,275,548.62
2024	--	2,039,913.90	178,800.00	1,318,718.76	2,128,012.50	1,261,950.00	1,542,550.00	8,469,945.16
2025	--	2,236,041.46	178,800.00	1,320,968.76	2,121,012.50	1,264,450.00	1,549,150.00	8,670,422.72
2026	--	--	1,173,800.00	1,317,668.76	3,307,762.50	1,264,450.00	1,735,400.00	8,799,081.26
2027	--	--	1,228,800.00	1,320,668.76	3,168,800.00	1,261,950.00	1,920,150.00	8,900,368.76
2028	--	--	1,286,760.00	1,318,168.76	3,151,937.50	1,256,950.00	2,112,900.00	9,126,716.26
2029	--	--	1,346,040.00	1,318,031.26	3,140,875.00	1,262,450.00	2,312,650.00	9,380,046.26
2030	--	--	1,407,440.00	--	2,955,087.50	1,261,750.00	3,743,400.00	9,367,677.50
2031	--	--	1,470,720.00	--	2,888,887.50	--	5,122,000.00	9,481,607.50
2032	\$6,534,495.30	--	1,535,640.00	--	2,918,862.50	--	--	10,988,997.80
2033	6,822,651.60	--	1,606,960.00	--	2,889,137.50	--	--	11,318,749.10
2034	7,130,472.00	--	1,678,460.00	--	2,850,212.50	--	--	11,659,144.50
2035	7,446,480.00	--	1,760,460.00	--	2,801,375.00	--	--	12,008,315.00
2036	7,780,000.00	--	1,837,210.00	--	2,749,237.50	--	--	12,366,447.50
2037	8,071,752.60	--	1,948,710.00	--	2,723,800.00	--	--	12,744,262.60
2038	8,428,450.50	--	2,035,430.10	--	2,663,550.00	--	--	13,127,430.60
2039	8,807,100.00	--	2,130,301.60	--	--	--	--	10,937,401.60
2040	9,200,000.00	--	2,228,310.15	--	--	--	--	11,428,310.15
2041	10,000,000.00	--	2,158,751.25	--	--	--	--	12,158,751.25
2042	--	--	6,862,960.00	--	--	--	--	6,862,960.00
2043	--	--	7,172,960.00	--	--	--	--	7,172,960.00
2044	--	--	7,494,640.00	--	--	--	--	7,494,640.00
2045	--	--	7,831,220.00	--	--	--	--	7,831,220.00
<b>Total</b>	<b>\$80,221,402.00</b>	<b>\$10,345,073.88</b>	<b>\$57,201,973.10</b>	<b>\$13,193,100.10</b>	<b>\$51,092,350.00</b>	<b>\$13,877,750.00</b>	<b>\$26,232,750.00</b>	<b>\$252,164,399.08</b>

<sup>(1)</sup> The 2010 High School District Series B Bonds were designated as "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Sections 54F and Section 6431 of the Code, as amended by the Hiring Incentives to Restore Employment Act of 2010, apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to the lesser of the (a) interest payable on such bonds on such semi-annual interest payment date or (b) the amount of interest that would have been payable on such semi-annual interest payment date if such interest were determined at a federal tax credit rate applicable to the 2010 High School District Series B Bonds (each a "QSCB Subsidy"). This table reflects gross debt service payments with respect to the 2010 High School District Series B Bonds and does not reflect the anticipated receipt of the QSCB Subsidy. The QSCB Subsidy payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the QSCB Subsidy payments by 5.9% during federal fiscal year ending September 30, 2020. In the absence of action by the U.S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect QSCB Subsidy payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board of Supervisors is empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on these bonds. The County will deposit any cash QSCB Subsidy payments received into the debt service fund for the bonds.

Source: Santa Barbara Unified School District.

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

**GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE**  
**Santa Barbara Unified School District**

<b>Year (Aug. 1)</b>	<b>Election of 2016 Series A Bonds</b>	<b>Election of 2016 Series B Bonds</b>	<b>Total Annual Debt Service</b>
2020	\$1,947,250.00	\$5,436,950.00	\$7,384,200.00
2021	2,030,050.00	3,600,950.00	5,631,000.00
2022	2,119,250.00	1,832,950.00	3,952,200.00
2023	2,204,450.00	1,832,950.00	4,037,400.00
2024	2,300,650.00	1,832,950.00	4,133,600.00
2025	2,392,250.00	1,987,950.00	4,380,200.00
2026	2,487,250.00	2,066,750.00	4,554,000.00
2027	2,585,750.00	2,152,150.00	4,737,900.00
2028	2,692,250.00	2,230,400.00	4,922,650.00
2029	2,801,000.00	2,318,900.00	5,119,900.00
2030	2,911,500.00	2,416,900.00	5,328,400.00
2031	3,028,250.00	2,513,650.00	5,541,900.00
2032	3,150,500.00	2,608,900.00	5,759,400.00
2033	3,272,500.00	2,717,400.00	5,989,900.00
2034	3,403,750.00	2,829,000.00	6,232,750.00
2035	3,543,250.00	2,939,400.00	6,482,650.00
2036	3,685,000.00	3,053,400.00	6,738,400.00
2037	3,831,600.00	3,180,600.00	7,012,200.00
2038	3,982,800.00	3,310,200.00	7,293,000.00
2039	4,143,000.00	3,436,800.00	7,579,800.00
2040	4,306,400.00	3,580,200.00	7,886,600.00
2041	4,482,400.00	3,719,400.00	8,201,800.00
2042	--	8,529,200.00	8,529,200.00
2043	--	8,872,400.00	8,872,400.00
2044	--	<u>9,224,800.00</u>	<u>9,224,800.00</u>
Total	<u>\$67,301,100.00</u>	<u>\$88,225,150.00</u>	<u>\$155,526,250.00</u>

Source: Santa Barbara Unified School District

**The Improvement District.** The District has formed the Santa Barbara Unified School District Elementary Schools Improvement District (the “Improvement District”) pursuant to Education Code Section 15300 *et seq.* Pursuant to an authorization obtained from voters within the Improvement District in 2016, the District has issued two series of bonds on behalf of the Improvement District, and following the issuance of the Improvement District Bonds, payable solely from *ad valorem* property taxes levied within boundaries of the Improvement District. The boundaries of the Improvement District are co-terminus with the former boundaries of the Elementary School District. The District has \$18,000,000 of bonds left unissued pursuant to this authorization. The following table shows the annual debt service requirements of the Improvement District bonds.

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

<u>Year (Aug. 1)</u>	<u>Election of 2016 Series A Bonds</u>	<u>Election of 2016 Series B Bonds</u>	<u>Total Annual Debt Service</u>
2020	\$914,318.76	\$2,562,368.76	\$3,476,687.52
2021	949,368.76	2,546,368.76	3,495,737.52
2022	983,218.76	778,368.76	1,761,587.52
2023	1,020,868.76	778,368.76	1,799,237.52
2024	1,059,268.76	778,368.76	1,837,637.52
2025	1,095,668.76	778,368.76	1,874,037.52
2026	1,135,068.76	778,368.76	1,913,437.52
2027	1,172,268.76	813,368.76	1,985,637.52
2028	1,217,268.76	846,968.76	2,064,237.52
2029	1,258,768.76	889,168.76	2,147,937.52
2030	1,299,568.76	934,568.76	2,234,137.52
2031	1,348,568.76	971,318.76	2,319,887.52
2032	1,394,506.26	1,020,818.76	2,415,325.02
2033	1,442,206.26	1,067,318.76	2,509,525.02
2034	1,491,325.00	1,119,118.76	2,610,443.76
2035	1,546,500.00	1,168,318.76	2,714,818.76
2036	1,598,100.00	1,224,918.76	2,823,018.76
2037	1,655,900.00	1,283,518.76	2,939,418.76
2038	1,714,500.00	1,343,531.26	3,058,031.26
2039	1,774,750.00	1,405,075.00	3,179,825.00
2040	1,833,500.00	1,473,750.00	3,307,250.00
2041	1,900,500.00	1,535,000.00	3,435,500.00
2042	--	3,576,000.00	3,576,000.00
2043	--	3,717,500.00	3,717,500.00
2044	--	3,869,250.00	3,869,250.00
Total	<u>\$29,806,012.64</u>	<u>\$37,260,093.94</u>	<u>\$67,066,106.58</u>

*Source: Santa Barbara Unified School District*

## **Statement of Direct and Overlapping Debt**

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. effective as of May 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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

2019-20 Assessed Valuation: \$51,215,000,460

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 5/1/20</u></b>
Santa Barbara Community College District	88.083%	\$50,194,098
<b>Santa Barbara Unified School District</b>	<b>100.000</b>	<b>197,242,587<sup>(1)</sup></b>
<b>Santa Barbara Unified School District School Facilities Improvement District</b>	<b>100.000</b>	<b>37,950,000<sup>(2)</sup></b>
<b>Santa Barbara School District</b>	<b>100.000</b>	<b>47,783,605<sup>(2)</sup></b>
Goleta Union School District	100.000	11,670,000
Other School Districts	100.000	<u>14,971,171</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$359,811,461
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>		
Santa Barbara County General Fund Obligations	58.885%	\$20,977,781
City of Santa Barbara Certificates of Participation	100.000	<u>28,835,000</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$49,812,781
Less: Santa Barbara County supported obligations		1,495,679
City of Santa Barbara General Fund Obligations supported by airport revenues		<u>28,835,000</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$19,482,102 <sup>(3)</sup>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$11,760,000
GROSS COMBINED TOTAL DEBT		\$421,384,242 <sup>(4)</sup>
NET COMBINED TOTAL DEBT		\$391,053,563

Ratios to 2019-20 Assessed Valuation:

<b>Direct Debt (\$282,976,192)</b> .....	<b>0.55%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	0.70%
Gross Combined Total Debt.....	0.82%
Net Combined Total Debt.....	0.76%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,879,116,281):

Total Overlapping Tax Increment Debt.....	0.24%
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<sup>(1)</sup> Bond proceeds to be used for secondary school purposes. Includes former High School District bonds.

<sup>(2)</sup> Bond proceeds to be used for elementary school purposes.

<sup>(3)</sup> Excludes the Notes.

<sup>(4)</sup> Excludes the Notes, as well as enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## TAX MATTERS

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

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

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

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

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

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

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

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

### **LEGALITY FOR INVESTMENT IN CALIFORNIA**

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

### **RATING**

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

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

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

## **LITIGATION**

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

## **LEGAL OPINION**

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

## **ENHANCED INFORMATION REPORTING REQUIREMENTS**

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

## **AVAILABILITY OF INFORMATION**

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

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

## UNDERWRITING

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

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

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

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

## USE OF FINANCIAL STATEMENTS

The financial statements of the District, with supplemental information for the year ended June 30, 2019, the independent auditor’s report of the District, and the report dated December 11, 2019 of Eide Bailly LLP, independent accountants (the “Auditor”), are included in this Official Statement as Appendix D. In connection with the inclusion of the excerpts described above and the report of the Auditor thereon in Appendix D to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

## CONTINUING DISCLOSURE

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

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

**MISCELLANEOUS**

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

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Meg Jetté  
Assistant Superintendent, Business Services

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## APPENDIX A

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

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

#### **General**

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

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

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

## Population

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

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

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

<sup>(1)</sup> As of January 1.

<sup>(2)</sup> As of April 1.

Source: California Department of Finance.

## Income

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

### PER CAPITA PERSONAL INCOME 2009 through 2018 Santa Barbara County, the State of California, and the United States

<u>Year</u>	<u>Santa Barbara County</u>	<u>State of California</u>	<u>United States</u>
2009	\$44,221	\$42,044	\$39,284
2010	45,621	43,634	40,546
2011	48,888	46,170	42,735
2012	51,207	48,798	44,599
2013	50,763	49,277	44,851
2014	53,758	52,324	47,058
2015	57,307	55,758	48,978
2016	57,432	57,739	49,870
2017	59,633	60,156	51,885
2018	62,690	63,557	54,446

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2015 through 2019 for the Cities, the County, the State of California and the United States.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
2015 through 2019<sup>(1)</sup>  
City of Goleta, City of Santa Barbara, Santa Barbara County and the State of California**

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2015	City of Goleta	17,100	16,600	500	3.1
	City of Santa Barbara	51,000	48,800	2,200	4.2
	Santa Barbara County	217,100	205,600	11,500	5.3
	State of California	18,828,800	17,660,700	1,168,100	6.2
2016	City of Goleta	16,900	16,300	600	3.4
	City of Santa Barbara	50,100	48,400	1,700	3.4
	Santa Barbara County	215,200	204,300	10,900	5.1
	State of California	19,021,200	17,980,100	1,041,100	5.5
2017	City of Goleta	17,000	16,500	500	3.0
	City of Santa Barbara	50,000	48,500	1,500	3.0
	Santa Barbara County	215,200	205,500	9,700	4.5
	State of California	19,176,400	18,257,100	919,300	4.8
2018	City of Goleta	16,900	16,500	400	2.5
	City of Santa Barbara	50,000	48,700	1,300	2.6
	Santa Barbara County	215,500	206,900	8,600	4.0
	State of California	19,280,800	18,460,700	820,100	4.3
2019	City of Goleta	17,200	16,800	400	2.3
	City of Santa Barbara	50,500	49,400	1,200	2.3
	Santa Barbara County	217,900	209,800	8,000	3.7
	State of California	19,411,600	18,627,400	784,200	4.0

<sup>(1)</sup> Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2019 Benchmark.

## Industry

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

### INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2015 through 2019 Santa Barbara County (Santa Maria-Santa Barbara MSA)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Farm	21,000	20,900	21,700	22,900	24,000
Mining, Logging and Construction	9,000	9,100	9,200	9,900	10,000
Manufacturing	13,000	13,400	13,100	12,900	12,900
Wholesale Trade	4,700	4,700	5,000	5,100	5,100
Retail Trade	19,500	19,200	18,900	18,700	18,600
Transportation, Warehousing and Utilities	3,300	3,200	3,200	3,400	3,500
Information	4,400	4,400	4,200	4,000	4,000
Financial Activities	6,400	6,500	6,600	6,700	7,200
Professional and Business Services	22,500	21,900	22,000	22,700	23,600
Education and Health Services	25,700	26,600	27,300	27,400	28,300
Leisure and Hospitality	26,600	27,200	27,800	28,200	28,500
Other Services	5,900	6,000	6,100	6,200	6,500
Government	<u>38,700</u>	<u>38,100</u>	<u>38,700</u>	<u>39,000</u>	<u>39,500</u>
Total All Industries	200,400	201,200	203,700	207,000	211,700

Note: May not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2019 Benchmark.

## Principal Employers

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

### PRINCIPAL EMPLOYERS 2018 City of Goleta

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

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

**PRINCIPAL EMPLOYERS  
2019  
City of Santa Barbara**

<u>Employer</u>	<u>Number of Employees</u>
County of Santa Barbara	4,600
University of California, Santa Barbara	4,300
Cottage Health System	3,600
Santa Barbara Unified School District <sup>(1)</sup>	1,400
Santa Barbara City College	1,193
City of Santa Barbara	1,037
Raytheon Electronic Systems	1,000
Sansum Medical Foundation Clinic	1,000
Santa Barbara County Education Office	875
Procore Technologies	800

<sup>(1)</sup> For updated District labor information, see “SANTA BARBARA UNIFIED SCHOOL DISTRICT – Labor Relations” in the front part of this Official Statement

*Source: City of Santa Barbara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.*

**PRINCIPAL EMPLOYERS  
2019  
Santa Barbara County**

<u>Employer</u>	<u>Number of Employees</u>
County of Santa Barbara	4,600
University of California, Santa Barbara	4,300
Cottage Health Organization	3,600
Vandenberg Air Force Base	2,500
Santa Maria-Bonita School District	2,120
Chumash Casino Resort	2,000
Marian Regional Medical Center	1,920
Allan Hancock College	1,480
Santa Barbara Unified School District <sup>(1)</sup>	1,400
Safran	1,200

<sup>(1)</sup> For updated District labor information, see “SANTA BARBARA UNIFIED SCHOOL DISTRICT – Labor Relations” in the front part of this Official Statement

*Source: County of Santa Barbara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.*

## Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2014 through 2018 are shown in the following tables.

### ANNUAL TAXABLE SALES 2014 through 2018 City of Goleta (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	673	\$592,929	1,168	\$776,527
2015	648	597,623	1,241	802,100
2016	672	592,094	1,309	809,148
2017	683	601,384	1,314	804,306
2018 <sup>(1)</sup>	669	635,304	1,333	834,707

<sup>(1)</sup> Preliminary, subject to change.

Source: Taxable Sales in California, California State Board of Equalization for 2014.

Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.

### ANNUAL TAXABLE SALES 2014 through 2018 City of Santa Barbara (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	3,023	\$1,527,442	4,501	\$1,875,121
2015	2,827	\$1,530,853	4,800	1,891,549
2016	2,904	\$1,506,322	4,875	1,870,902
2017	2,981	\$1,474,043	5,023	1,839,342
2018 <sup>(1)</sup>	3,016	\$1,548,827	5,258	1,954,590

<sup>(1)</sup> Preliminary, subject to change.

Source: Taxable Sales in California, California State Board of Equalization for 2014.

Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.

**ANNUAL TAXABLE SALES**  
**2014 through 2018**  
**Santa Barbara County**  
**(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	8,492	\$4,733,311	12,989	\$6,613,353
2015	8,087	4,858,204	13,994	6,821,697
2016	8,326	4,910,041	14,309	6,914,318
2017	8,632	5,022,937	14,801	7,058,111
2018 <sup>(1)</sup>	8,609	5,268,478	15,394	7,310,271

<sup>(1)</sup> Preliminary, subject to change.

Source: *Taxable Sales in California, California State Board of Equalization for 2014.*

*Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.*

**Construction Activity**

The annual building permit valuations and number of permits for new dwelling units issued from 2014 through 2018 for the Cities and the County are shown in the following tables.

**BUILDING PERMITS AND VALUATIONS**  
**2014 through 2018**  
**City of Goleta**  
**(Dollars in Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation					
Residential	\$51,587	\$10,763	\$59,883	\$53,679	\$28,443
Non-Residential	<u>61,734</u>	<u>49,739</u>	<u>37,716</u>	<u>21,057</u>	<u>16,736</u>
Total	\$113,321	\$60,502	\$97,599	\$74,736	\$45,179
Units					
Single Family	4	1	23	27	12
Multiple Family	<u>316</u>	<u>27</u>	<u>213</u>	<u>180</u>	<u>97</u>
Total	320	28	236	207	109

Note: Totals may not add to sum due to rounding.

Source: *Construction Industry Research Board.*

**BUILDING PERMITS AND VALUATIONS**  
**2014 through 2018**  
**City of Santa Barbara**  
**(Dollars in Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation					
Residential	\$43,252	\$81,857	\$84,464	\$60,151	\$88,513
Non-Residential	<u>37,005</u>	<u>77,546</u>	<u>88,780</u>	<u>65,698</u>	<u>69,665</u>
Total	\$80,257	\$159,403	\$173,244	\$125,849	\$158,178
Units					
Single Family	12	20	28	37	95
Multiple Family	<u>0</u>	<u>156</u>	<u>196</u>	<u>24</u>	<u>191</u>
Total	12	176	224	61	286

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

**BUILDING PERMITS AND VALUATIONS**  
**2014 through 2018**  
**Santa Barbara County**  
**(Dollars in Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation					
Residential	\$290,490	\$350,587	\$343,379	\$441,039	\$364,512
Non-Residential	<u>183,825</u>	<u>228,961</u>	<u>260,239</u>	<u>258,437</u>	<u>267,759</u>
Total	\$474,315	\$579,548	\$603,618	\$699,476	\$632,271
Units					
Single Family	369	377	367	704	512
Multiple Family	<u>552</u>	<u>694</u>	<u>550</u>	<u>609</u>	<u>539</u>
Total	921	1,071	917	1,313	1,051

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

**APPENDIX B**

**FORM OF OPINION OF BOND COUNSEL**

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

\_\_\_\_\_, 2020

Members of the Board of Education  
Santa Barbara Unified School District

§ \_\_\_\_\_  
*SANTA BARBARA UNIFIED SCHOOL DISTRICT*  
*(Santa Barbara County, California)*  
*2020-21 Tax and Revenue Anticipation Notes*

Members of the Board:

We hereby certify that we have examined certified copies of the legal proceedings and other proofs submitted pertaining to the issuance and sale of \$ \_\_\_\_\_ aggregate principal amount of the Santa Barbara Unified School District (the "District") (Santa Barbara County, California) 2020-21 Tax and Revenue Anticipation Notes (the "Notes"), issued by the District pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the State of California Government Code and pursuant to a resolution adopted by the Board of Education of the District (the "Resolution"). The Notes are dated the date hereof and are due and payable on June 30, 2021. Both the principal of and interest on the Notes are payable to the registered Owner thereof at maturity in lawful money of the United States of America at the principal trust office of U.S. Bank National Association, as paying agent.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under the Constitution and laws of the State of California now in force, and the Notes constitute valid and legally binding general obligations of the District. The District has pledged (i) an amount equal to fifty percent (50%) of the principal of the Notes from the first unrestricted revenues received by the District in the month ending January 31, 2021, and (ii) an amount equal to fifty percent (50%) of the principal of and one hundred percent (100%) interest due on the Notes from the first unrestricted revenues received by the District in the month ending April 30, 2021. The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be paid from such pledged revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

We are further of the opinion that based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Resolution and with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Notes, and the timely payment of certain investment

earnings to the United States, interest on the Notes is not includable in the gross income of the holders of the Notes for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Notes to be included in federal gross income retroactive to the date of issuance of the Notes.

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

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

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

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

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

Respectfully submitted,

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Santa Barbara Unified School District (the “District”) in connection with the issuance by the District of \$\_\_\_\_\_ 2020-21 Tax and Revenue Anticipation Notes (the “Notes”). The Notes are being issued pursuant to a resolution of the Board of Education of the District (the “Resolution”). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

#### SECTION 3. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 3(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

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

1. non-payment related defaults.
2. modifications to rights of Noteholders.
3. optional, contingent or unscheduled calls.
4. unless described under Section 3(a)(5) above, material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.
5. release, substitution or sale of property securing repayment of the Notes.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

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

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

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

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

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

SECTION 5. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

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

(a) If the amendment or waiver relates to the provisions of Section 3 it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Notes.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other

information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

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

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

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

Dated: \_\_\_\_\_, 2020

SANTA BARBARA UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Authorized Officer

**APPENDIX D**

**2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

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Annual Financial Report  
June 30, 2019

# Santa Barbara Unified School District

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

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# SANTA BARBARA UNIFIED SCHOOL DISTRICT

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**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Santa Barbara Unified School District  
Santa Barbara, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara Unified School District, as of June 30, 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 management's discussion and analysis on pages 5 through 14, budgetary comparison schedules on page 74, schedule of changes in the District's net OPEB liability and related ratios on page 75, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 76, schedule of the District's proportionate share of the net pension liability on page 77, and the schedule of District contributions on page 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of the Santa Barbara Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Barbara Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Barbara Unified School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sallee LLP".

Rancho Cucamonga, California  
December 11, 2019



720 Santa Barbara Street  
Santa Barbara, CA 93101  
Phone: 805.963.4338  
Fax: 805.963.1916  
TDD: 805.966.7734  
SBUnified.org

This section of Santa Barbara Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ending June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

---

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

---

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

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

### THE DISTRICT AS A TRUSTEE

#### Reporting the Districts Fiduciary Responsibilities

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

### FINANCIAL HIGHLIGHTS

The District completed its 2018-2019 fiscal year with an operating surplus of \$14,378,291 and an additional \$11,416,684 in its Special Reserve Fund for Other Than Capital Outlay Projects - Fund 17. The District will continue to increase its reserve level to prepare for another possible financial crisis and to be able to fund the increase in employees' pension cost. The 2019-2020 interim projects a fund balance in the General Fund that meets the SBUSD's minimum recommended reserve requirement of three percent for the current and two subsequent years. The District is projected to be Community Funded/Basic Aid from 2019-2020 and beyond.

The district continues to fund its Other Postemployment Benefits obligation, which reduces its liability.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$(51.6) million for the fiscal year ended June 30, 2019. Of this amount, \$(151.4) million was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 182,592,854	\$ 149,936,959
Capital assets	274,963,983	240,867,535
<b>Total Assets</b>	<b>457,556,837</b>	<b>390,804,494</b>
<b>Deferred Outflows of Resources</b>	<b>60,475,699</b>	<b>57,377,062</b>
<b>Liabilities</b>		
Current liabilities	19,087,966	14,566,760
Long-term obligations	350,674,795	286,269,440
Net pension liability	186,945,682	173,979,675
<b>Total Liabilities</b>	<b>556,708,443</b>	<b>474,815,875</b>
<b>Deferred Inflows of Resources</b>	<b>12,939,383</b>	<b>13,748,399</b>
<b>Net Position</b>		
Net investment in capital assets	58,675,352	56,758,172
Restricted	41,094,876	39,013,297
Unrestricted	(151,385,518)	(136,154,187)
<b>Total Net Position</b>	<b>\$ (51,615,290)</b>	<b>\$ (40,382,718)</b>

The \$(151.4) million in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

---

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2019	2018
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 5,697,209	\$ 2,871,975
Operating grants and contributions	41,133,294	31,183,991
Capital grants and contributions	574,372	8,211,063
General revenues:		
Federal and State aid not restricted	11,538,960	11,963,545
Property taxes	145,850,353	143,524,151
Other general revenues	8,055,401	18,554,392
<b>Total Revenues</b>	<b>212,849,589</b>	<b>216,309,117</b>
<b>Expenses</b>		
Instruction-related	141,001,323	133,251,555
Pupil services	29,320,587	25,789,368
Administration	11,309,605	10,575,447
Plant services	18,250,386	17,600,294
Other	24,200,260	19,285,512
<b>Total Expenses</b>	<b>224,082,161</b>	<b>206,502,176</b>
<b>Change in Net Position</b>	<b>\$ (11,232,572)</b>	<b>\$ 9,806,941</b>

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$224.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$145.9 million because the cost was paid by those who benefited from the programs (\$5.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$41.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$19.6 million in Federal and State funds, and with other revenues, like interest and general entitlements.

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 114,254,924	\$ 109,786,977	\$ 90,345,004	\$ 87,973,181
Instruction-related activities	26,746,399	23,464,578	23,265,096	21,210,082
Home-to-school transportation	3,211,761	2,910,438	3,184,313	2,887,212
Food services	11,329,337	9,745,603	2,219,762	2,529,024
Other pupil services	14,779,489	13,133,327	11,696,889	11,013,055
Administration	11,309,605	10,575,447	10,729,832	9,569,303
Plant services	18,250,386	17,600,294	17,944,969	17,330,583
Ancillary services	1,705,309	1,486,249	1,628,656	1,382,868
Community services	5,735,929	5,449,425	1,968,902	1,247,688
Interest on long-term obligations	12,491,226	11,274,407	12,491,226	11,274,407
All other services	4,267,796	1,075,431	1,202,637	(2,182,256)
<b>Total</b>	<b>\$ 224,082,161</b>	<b>\$ 206,502,176</b>	<b>\$ 176,677,286</b>	<b>\$ 164,235,147</b>

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

---

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$167.9 million, which is an increase of \$29.2 million from last year (Table 4).

**Table 4**

	Fund Balance			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	\$ 34,511,669	\$ 174,075,434	\$ 179,169,214	\$ 29,417,889
Building Fund	64,782,226	72,736,611	41,962,961	95,555,876
Bond Interest and Redemption Fund	24,225,601	25,103,643	18,345,678	30,983,566
Charter School Fund	267,993	3,296,071	3,376,231	187,833
Child Development Fund	626,189	3,368,145	3,500,779	493,555
Cafeteria Fund	291,551	10,544,299	10,759,934	75,916
Deferred Maintenance Fund	-	1,046,641	159,031	887,610
Capital Facilities Fund	4,681,715	1,214,848	1,402,177	4,494,386
County School Facilities Fund	8,119,343	574,372	3,201,299	5,492,416
Special Reserve Fund For Capital Outlay Projects	1,192,804	115,551	1,008,836	299,519
<b>Total</b>	<b>\$ 138,699,091</b>	<b>\$ 292,075,615</b>	<b>\$ 262,886,140</b>	<b>\$ 167,888,566</b>

The primary reasons for these increases/decreases are:

- The General Fund is our principal operating fund. The fund balance in the General Fund decreased by \$7.7 million due to the following: one-time \$4.5 million Mandate expenditures; \$2 million contribution to the Special Reserve Fund (Fund 17); \$1 million to the Irrevocable Trust Fund, to fund the district's OPEB obligation; and a contribution of \$606,000 to Food Services to cover its deficit. The capital and bond funds decreased due to facilities projects that either are in process or completed in 2018-2019.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 74.)

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

---

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2019, the District had \$275.0 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$34.1 million, or 14.2 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2019	2018
Land and construction in process	\$ 65,452,253	\$ 24,528,364
Buildings and improvements	203,934,407	211,124,719
Furniture and equipment	5,577,323	5,214,452
<b>Total</b>	<b>\$ 274,963,983</b>	<b>\$ 240,867,535</b>

Several capital projects were planned for the 2018-2019 year. We anticipated capital additions to be \$46.8 million for the 2018-2019 year, which was mainly the Peabody Stadium at Santa Barbara High School, two multipurpose buildings, Dos Pueblos field and track and parking lot and San Marcos I wing. We present more detailed information about our capital assets in Note 5 to the financial statements.

#### Long-Term Obligations

At the end of this year, the District had \$350.7 million in long-term obligations outstanding versus \$286.3 million last year, an increase of 22.5 percent. Those consisted of:

**Table 6**

	Governmental Activities	
	2019	2018
General obligation bonds - net (financed with property taxes)	\$ 337,842,550	\$ 270,222,405
Capitalized lease obligations	197,291	1,117,485
Compensated absences	1,789,554	1,927,701
Career Technical Education Facilities Loan	-	621,058
Supplemental Early Retirement Plan (SERP)	-	513,082
Net other postemployment benefits (OPEB) liability	10,845,400	11,867,709
<b>Total</b>	<b>\$ 350,674,795</b>	<b>\$ 286,269,440</b>

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

---

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

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

### **Net Pension Liability (NPL)**

At year-end, the District has a net pension liability of \$186,945,682 versus \$173,979,675 last year, an increase of \$12,966,007, or 7.5 percent.

### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:**

The District spent \$46.8 million on new construction and modernization projects which include following: completion of two multipurpose room, parking lots, two multipurpose rooms, Dos Pueblos track and field and building exteriors.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2018-2019 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. The District's Local Control Funding gap was based on the estimate from the state controller's office of 100 percent. The adopted budget was based on a decrease in enrollment of 327 however by October 2<sup>nd</sup> the enrollment actual decrease by 247 and was adjusted at first interim. The District reduces its federal revenues by ten percent due to the fact that the federal budget is not released until September. The actual amounts were adjusted upward an additional \$736,000 due to carryover and the final allocation.
2. Interest earnings will remain the same percent due to the averaging of the past four quarters of interest rates.
3. Developer fee collections are based on approximate new housing units to be constructed.

Special Education costs continue to increase. The special education and the fiscal departments continue to look for ways to control cost.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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Expenditures are based on the following forecasts:

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

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

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

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 171,150,067
Receivables	10,681,575
Prepaid expenses	678,979
Stores inventories	82,233
Capital assets	
Land and construction in process	65,452,253
Other capital assets	344,968,801
Less: Accumulated depreciation	(135,457,071)
Total Capital Assets	<u>274,963,983</u>
<b>Total Assets</b>	<u>457,556,837</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	2,717,998
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	2,582,815
Deferred outflows of resources related to pensions	55,174,886
<b>Total Deferred Outflows of Resources</b>	<u>60,475,699</u>
<b>LIABILITIES</b>	
Overdrafts	1,938,188
Accounts payable	11,823,690
Accrued interest payable	4,531,693
Unearned revenue	794,395
Long-term obligations:	
Current portion of long-term obligations other than pensions	12,856,421
Noncurrent portion of long-term obligations other than pensions	337,818,374
Total Long-Term Obligations	<u>350,674,795</u>
Aggregate net pension liability	<u>186,945,682</u>
<b>Total Liabilities</b>	<u>556,708,443</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>12,939,383</u>
<b>NET POSITION</b>	
Net investment in capital assets	58,675,352
Restricted for:	
Debt service	26,451,873
Capital projects	10,286,321
Educational programs	3,622,915
Other activities	733,767
Unrestricted	(151,385,518)
<b>Total Net Position</b>	<u>\$ (51,615,290)</u>

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 114,254,924	\$ 1,385,782	\$ 21,949,766	\$ 574,372	\$ (90,345,004)
Instruction-related activities:					
Supervision of instruction	13,282,422	413,149	2,680,559	-	(10,188,714)
Instructional library, media, and technology	1,917,401	1,284	56,533	-	(1,859,584)
School site administration	11,546,576	649	329,129	-	(11,216,798)
Pupil services:					
Home-to-school transportation	3,211,761	-	27,448	-	(3,184,313)
Food services	11,372,097	2,228,340	6,881,235	-	(2,262,522)
All other pupil services	14,779,489	574,093	2,508,507	-	(11,696,889)
Administration:					
Data processing	3,016,066	-	19,616	-	(2,996,450)
All other administration	8,293,539	5,678	554,479	-	(7,733,382)
Plant services	18,250,386	74,884	230,533	-	(17,944,969)
Facility acquisition and construction	713,108	-	-	-	(713,108)
Ancillary services	1,705,309	14,401	62,252	-	(1,628,656)
Community services	5,735,929	114,639	3,652,388	-	(1,968,902)
Interest on long-term obligations	12,491,226	-	-	-	(12,491,226)
Other outgo	3,554,688	884,310	2,180,849	-	(489,529)
<b>Total Governmental Activities</b>	<b>\$ 224,124,921</b>	<b>\$ 5,697,209</b>	<b>\$ 41,133,294</b>	<b>\$ 574,372</b>	<b>(176,720,046)</b>
<b>General revenues and subventions:</b>					
Property taxes, levied for general purposes					125,873,745
Property taxes, levied for debt service					19,572,776
Taxes levied for other specific purposes					403,832
Federal and State aid not restricted to specific purposes					11,538,960
Interest and investment earnings					1,135,546
Miscellaneous					6,962,615
<b>Subtotal, General Revenues</b>					<b>165,487,474</b>
<b>Change in Net Position</b>					<b>(11,232,572)</b>
Net Position - Beginning					<b>(40,382,718)</b>
Net Position - Ending					<b>\$ (51,615,290)</b>

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 27,094,872	\$ 100,538,924	\$ 30,844,926
Receivables	7,392,804	504,436	138,640
Due from other funds	244,616	-	-
Prepaid expenditures	678,979	-	-
Stores inventories	6,329	-	-
<b>Total Assets</b>	<b>\$ 35,417,600</b>	<b>\$ 101,043,360</b>	<b>\$ 30,983,566</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	\$ -	\$ -	\$ -
Accounts payable	5,040,715	5,487,484	-
Due to other funds	164,601	-	-
Unearned revenue	794,395	-	-
<b>Total Liabilities</b>	<b>5,999,711</b>	<b>5,487,484</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	685,308	-	-
Restricted	3,622,915	95,555,876	30,983,566
Committed	-	-	-
Assigned	3,080,569	-	-
Unassigned	22,029,097	-	-
<b>Total Fund Balances</b>	<b>29,417,889</b>	<b>95,555,876</b>	<b>30,983,566</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,417,600</b>	<b>\$ 101,043,360</b>	<b>\$ 30,983,566</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 12,365,047	\$ 170,843,769
2,644,186	10,680,066
164,601	409,217
-	678,979
75,904	82,233
<u>\$ 15,249,738</u>	<u>\$ 182,694,264</u>

\$ 1,938,188	\$ 1,938,188
1,135,699	11,663,898
244,616	409,217
-	794,395
<u>3,318,503</u>	<u>14,805,698</u>

75,904	761,212
10,872,073	141,034,430
887,610	887,610
95,648	3,176,217
-	22,029,097
<u>11,931,235</u>	<u>167,888,566</u>
<u>\$ 15,249,738</u>	<u>\$ 182,694,264</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 167,888,566</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 410,421,054
Accumulated depreciation is:	<u>(135,457,071)</u>
Net Capital Assets	274,963,983
The District has refunded debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2019.	
	2,717,998
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.	
	(4,531,693)
An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net assets are:	
	148,015
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:	
Pension contributions subsequent to measurement date	17,493,752
Net change in proportionate share of net pension liability	7,155,713
Differences between projected and actual earnings on pension plan investments	488,975
Differences between expected and actual experience in the measurement of the total pension liability	4,302,974
Changes of assumptions	<u>25,733,472</u>
Total Deferred Outflows of Resources Related to Pensions	55,174,886

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION, (Continued)  
JUNE 30, 2019**

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Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	\$ (6,186,788)	
Differences between projected and actual earnings on pension plan investments	(4,903,043)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(1,849,552)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (12,939,383)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of the following:

OPEB contributions subsequent to the measurement date	2,579,093
Differences between projected and actual earnings on OPEB plan investments	3,722

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (186,945,682)

Long-term obligations at year-end consist of:

General obligation bonds	295,304,683
Unamortized premium on general obligation bonds	19,060,531
Capital leases obligations	197,291
Compensated absences (vacations)	1,789,554
Net other postemployment benefits (OPEB) liability	10,845,400

In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:

23,477,336

Total Long-Term Obligations		(350,674,795)
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ (51,615,290)</u></u></b>

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 128,316,558	\$ -	\$ -
Federal sources	7,019,970	-	-
Other State sources	23,114,700	-	66,788
Other local sources	15,429,257	2,736,611	19,868,677
<b>Total Revenues</b>	<u>173,880,485</u>	<u>2,736,611</u>	<u>19,935,465</u>
<b>EXPENDITURES</b>			
Current			
Instruction	100,343,743	-	-
Instruction-related activities:			
Supervision of instruction	12,929,878	-	-
Instructional library, media, and technology	1,843,272	-	-
School site administration	10,792,566	-	-
Pupil services:			
Home-to-school transportation	3,195,591	-	-
Food services	67,189	-	-
All other pupil services	13,531,847	-	-
General administration:			
Data processing	2,698,413	-	-
All other general administration	7,981,089	-	-
Plant services	16,850,510	-	-
Ancillary services	1,675,804	-	-
Community services	2,130,233	-	-
Other outgo	2,978,353	-	-
Facility acquisition and construction	196,672	41,582,105	-
Debt service			
Principal	1,113,419	-	10,345,000
Interest and other	30,698	380,856	8,000,678
<b>Total Expenditures</b>	<u>178,359,277</u>	<u>41,962,961</u>	<u>18,345,678</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(4,478,792)</u>	<u>(39,226,350)</u>	<u>1,589,787</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Other sources - proceeds from bond issuance	-	70,000,000	-
Other sources - premium from bond issuance	-	-	5,168,178
Other sources - issuance of capital lease	194,949	-	-
Transfers out	(809,937)	-	-
<b>Net Financing Sources (Uses)</b>	<u>(614,988)</u>	<u>70,000,000</u>	<u>5,168,178</u>
<b>NET CHANGE IN FUND BALANCES</b>	(5,093,780)	30,773,650	6,757,965
<b>Fund Balances - Beginning</b>	34,511,669	64,782,226	24,225,601
<b>Fund Balances - Ending</b>	<u>\$ 29,417,889</u>	<u>\$ 95,555,876</u>	<u>\$ 30,983,566</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,406,481	\$ 130,723,039
7,018,791	14,038,761
4,499,081	27,680,569
5,468,397	43,502,942
<u>19,392,750</u>	<u>215,945,311</u>
2,484,920	102,828,663
-	12,929,878
-	1,843,272
303,238	11,095,804
16,170	3,211,761
10,607,801	10,674,990
72,036	13,603,883
-	2,698,413
413,937	8,395,026
380,501	17,231,011
-	1,675,804
3,448,764	5,578,997
7	2,978,360
5,100,474	46,879,251
622,782	12,081,201
417	8,412,649
<u>23,451,047</u>	<u>262,118,963</u>
<u>(4,058,297)</u>	<u>(46,173,652)</u>
809,937	809,937
-	70,000,000
-	5,168,178
-	194,949
-	(809,937)
<u>809,937</u>	<u>75,363,127</u>
(3,248,360)	29,189,475
15,179,595	138,699,091
<u>\$ 11,931,235</u>	<u>\$ 167,888,566</u>

**SANTA BARBARA 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**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 29,189,475</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which capital outlays exceeds depreciation in the period.	
Capital outlays	\$ 46,261,023
Depreciation expense	<u>(12,162,825)</u>
Net Expense Adjustment	34,098,198
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.	
	(194,949)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds.	
	(1,750)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were \$513,082. Vacation paid was more than the amounts earned by \$138,147.	
	651,229
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	
	(8,741,914)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.	
	1,503,600
Proceeds received from the sale of general obligation bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
	(70,000,000)

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2019**

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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	\$ 10,345,000
Capital lease obligations	1,115,143
Career Technical Education Facilities loan	621,058

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when debt is first issued, whereas the amounts are deferred and amortized on the Statement of Activities. This amount is the net effect of these related items:

Premium on issuance	\$ (5,168,178)	
Amortization of premium	1,096,739	
Amortization of deferred charge on refunding	(797,731)	
Combined Adjustment		(4,869,170)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by \$1,060,207, and second, \$3,893,706 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. (4,953,913)

An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

<b>Change in Net Position of Governmental Activities</b>	5,421
	<b>\$ (11,232,572)</b>

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 306,298
Receivables	1,509
<b>Total Current Assets</b>	<u>307,807</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	<u>159,792</u>
<b>NET POSITION</b>	
Restricted	<u>\$ 148,015</u>

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>NONOPERATING REVENUES</b>	
Interest income	\$ 5,421
<b>Change in Net Position</b>	5,421
<b>Total Net Position - Beginning</b>	142,594
<b>Total Net Position - Ending</b>	<u>\$ 148,015</u>

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Governmental Activities - Internal Service Fund</b>
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	\$ 5,012
Net Increase in Cash and Cash Equivalents	<hr/> 5,012
Cash and Cash Equivalents - Beginning	301,286
Cash and Cash Equivalents - Ending	<hr/> <hr/> \$ 306,298

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 13,389,884
Stores inventories	35,898
<b>Total Assets</b>	<u>\$ 13,425,782</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 122,770
Due to student groups	1,658,637
Due to employees	11,644,375
<b>Total Liabilities</b>	<u>\$ 13,425,782</u>

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Other Related Entities

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

As a result, the General Fund reflects an increase in fund balance of \$11,416,684.

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

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

### Non-Major Governmental Funds

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

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

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

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB), deferred payroll, payroll related benefits, and voluntary payroll withholdings of District employees.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Basis of Accounting - Measurement Focus**

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

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

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

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

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

### **Cash and Cash Equivalents**

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Investments**

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Prepaid Expenditures (Expenses)**

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

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

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

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

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

### **Interfund Balances**

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Debt Premiums and Discounts**

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Deferred Outflows/Inflows of Resources

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

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

### Pensions

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

### Postemployment Benefits Other Than Pensions (OPEB)

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

### Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District had no related debt outstanding as of June 30, 2019. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$41,094,876 of restricted net position.

### Interfund Activity

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

### Operating Revenues and Expenses

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

### Estimates

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Property Tax

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

### Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2019.

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

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

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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The District has implemented the provisions of this Statement as of June 30, 2019.

### New Accounting Pronouncements

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

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

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

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

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

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

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 171,150,067
Fiduciary funds	13,389,884
Total Deposits and Investments	<u>\$ 184,539,951</u>

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

Cash on hand and in banks	\$ 1,561,831
Cash in revolving	2,000
Investments	182,976,120
Total Deposits and Investments	<u>\$ 184,539,951</u>

#### Policies and Practices

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Santa Barbara County Investment Pool. The pool purchases shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$182,976,120 with the Santa Barbara County Investment Pool, with an average weighted maturity of 289 days.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Santa Barbara County Investment Pool is not required to be rated, nor has been rated as of June 30, 2019.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$1,473,134 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Santa Barbara County Treasury Investment Pool	<u>\$ 182,976,120</u>	<u>\$ 182,976,120</u>

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>
Federal Government						
Categorical aid	\$ 3,669,824	\$ -	\$ -	\$ 1,827,924	\$ -	\$ 5,497,748
State Government						
Categorical aid	600,952	-	-	270,419	-	871,371
Lottery	645,282	-	-	13,943	-	659,225
Local Government						
Interest	274,591	504,436	138,640	64,151	1,509	983,327
Due from Charter Schools	1,476,281	-	-	367,440	-	1,843,721
Other Local Sources	725,874	-	-	100,309	-	826,183
Total	<u>\$ 7,392,804</u>	<u>\$ 504,436</u>	<u>\$ 138,640</u>	<u>\$ 2,644,186</u>	<u>\$ 1,509</u>	<u>\$ 10,681,575</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,497,659	\$ 12,008,934	\$ 1,750	\$ 13,504,843
Construction in process	23,030,705	35,245,409	6,328,704	51,947,410
Total Capital Assets Not Being Depreciated	<u>24,528,364</u>	<u>47,254,343</u>	<u>6,330,454</u>	<u>65,452,253</u>
Capital Assets Being Depreciated				
Land improvements	23,564,752	67,561	-	23,632,313
Buildings and improvements	299,862,082	4,095,614	-	303,957,696
Furniture and equipment	16,206,583	1,172,209	-	17,378,792
Total Capital Assets Being Depreciated	<u>339,633,417</u>	<u>5,335,384</u>	<u>-</u>	<u>344,968,801</u>
Less Accumulated Depreciation				
Land improvements	5,981,157	1,097,579	-	7,078,736
Buildings and improvements	106,320,958	10,255,908	-	116,576,866
Furniture and equipment	10,992,131	809,338	-	11,801,469
Total Accumulated Depreciation	<u>123,294,246</u>	<u>12,162,825</u>	<u>-</u>	<u>135,457,071</u>
Governmental Activities Capital Assets, Net	<u>\$ 240,867,535</u>	<u>\$ 40,426,902</u>	<u>\$ 6,330,454</u>	<u>\$ 274,963,983</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 9,730,260
Food services	608,141
All other pupil services	608,141
Data processing	243,257
All other general administration	364,885
Plant services	608,141
Total Depreciation Expenses Governmental Activities	<u>\$ 12,162,825</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 6 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2019, between major funds and non-major governmental funds are as follows:

Due From	Due To		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 244,616	\$ 244,616
Non-Major Governmental Funds	164,601	-	164,601
Total	<u>\$ 164,601</u>	<u>\$ 244,616</u>	<u>\$ 409,217</u>

The balance of \$164,601 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from class size reduction contribution.

The balance of \$244,616 due to the General Fund from the Charter School Non-Major Governmental Fund is for operating and indirect costs.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2019, consisted of the following:

The General Fund transferred to the Charter School Non-Major Governmental Fund for program funding and property tax allocation.	\$ 103,887
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for program contribution.	606,050
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for the facilities master plan.	100,000
Total	<u>\$ 809,937</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	\$ 946,482	\$ -	\$ 170,767	\$ -	\$ 1,117,249	\$ -
Supplies	1,251,612	-	199,665	-	1,451,277	-
Services	962,514	218	247,849	-	1,210,581	-
Construction	90,787	5,487,266	486,140	-	6,064,193	-
Property taxes	1,439,384	-	-	-	1,439,384	-
Vendor payables	349,936	-	31,278	159,792	541,006	122,770
Total	<u>\$ 5,040,715</u>	<u>\$ 5,487,484</u>	<u>\$ 1,135,699</u>	<u>\$ 159,792</u>	<u>\$ 11,823,690</u>	<u>\$ 122,770</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund
Federal financial assistance	\$ 221,281
State categorical aid	124,235
Other local	448,879
Total	<u>\$ 794,395</u>

**NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On July 3, 2018, the District issued \$10,000,000 of Tax and Revenue Anticipation Notes bearing interest at 1.52 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2019. By April 2019, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes.

Issue Date	Rate	Outstanding July 1, 2018	Additions	Payments	Outstanding June 30, 2019
July 3, 2018	1.52%	\$ -	\$ 10,000,000	\$ 10,000,000	\$ -

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 255,233,313	\$ 73,893,706	\$ 10,345,000	\$ 318,782,019	\$ 12,405,000
Premium on issuance	14,989,092	5,168,178	1,096,739	19,060,531	-
Capital leases	1,117,485	194,949	1,115,143	197,291	121,421
Compensated absences	1,927,701	-	138,147	1,789,554	-
Career Technical Education Facilities Loan	621,058	-	621,058	-	-
Supplemental Early Retirement Plan (SERP)	513,082	-	513,082	-	-
Net other postemployment benefits (OPEB) liability	11,867,709	614,195	1,636,504	10,845,400	-
	<u>\$ 286,269,440</u>	<u>\$ 79,871,028</u>	<u>\$ 15,465,673</u>	<u>\$ 350,674,795</u>	<u>\$ 12,526,421</u>

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2019	
				Outstanding July 1, 2018	Issued	Accreted		Redeemed
5/4/11	8/1/41	5.81-7.39%	\$ 14,998,229	\$ 18,742,728	\$ -	\$ 1,359,301	\$ -	\$ 20,102,029
5/4/11	8/1/41	6.77-10.20%	15,798,211	19,407,156	-	1,478,785	-	20,885,941
5/4/11	8/1/25	5.17-5.72%	9,200,000	9,155,000	-	-	265,000	8,890,000
6/5/12	8/1/45	2.54-12.00%	14,997,218	19,928,429	-	1,055,620	135,000	20,849,049
6/5/12	8/1/45	2.00-5.00%	16,160,000	12,460,000	-	-	820,000	11,640,000
6/14/12	8/1/29	2.00-5.00%	11,745,000	8,760,000	-	-	675,000	8,085,000
8/20/13	8/1/38	2.00-5.00%	20,000,000	18,890,000	-	-	455,000	18,435,000
8/20/13	8/1/38	2.00-5.25%	35,000,000	32,510,000	-	-	525,000	31,985,000
12/9/14	8/1/30	2.00-3.00%	14,235,000	12,510,000	-	-	725,000	11,785,000
3/21/17	8/1/41	3.75-5.00%	50,000,000	50,000,000	-	-	5,060,000	44,940,000
3/21/17	8/1/41	3.00-5.00%	20,000,000	20,000,000	-	-	-	20,000,000
11/2/17	8/1/31	2.00-5.00%	20,680,000	20,680,000	-	-	935,000	19,745,000
11/2/17	8/1/31	2.00-5.00%	12,190,000	12,190,000	-	-	750,000	11,440,000
2/27/19	8/1/44	4.00-5.00%	50,000,000	-	50,000,000	-	-	50,000,000
2/27/19	8/1/44	3.25-5.00%	20,000,000	-	20,000,000	-	-	20,000,000
				<u>\$ 255,233,313</u>	<u>\$ 70,000,000</u>	<u>\$ 3,893,706</u>	<u>\$ 10,345,000</u>	<u>\$ 318,782,019</u>

### 2010 General Obligation Bonds, Series A

In May 2011, the District issued the 2010 General Obligation Bonds, Series A in the amount of \$14,998,229. The bonds were issued as capital appreciation and convertible capital appreciation bonds, which convert to current interest bonds, with the value of the capital appreciation bonds accreting \$43,467,727 and maturing to an aggregate principal debt service balance of \$58,465,956. The bonds have a final maturity to occur on August 1, 2041, with interest rates ranging from 5.81 to 7.39 percent. Proceeds from the bonds were to be used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities and to pay issuance costs. At June 30, 2019, the principal balance outstanding was \$20,102,029.

### 2010 General Obligation Bonds, Series A (Secondary)

In May 2011, the District issued the 2010 General Obligation Bonds, Series A in the amount of \$15,798,211. The bonds were issued as capital appreciation bonds with the value of the capital appreciation bonds accreting \$79,533,191 and maturing to an aggregate principal debt service balance of \$95,331,402. The bonds have a final maturity to occur on August 1, 2041, with interest ranging from 6.77 to 10.20 percent. Proceeds from the bonds were to be used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities and to pay issuance costs. At June 30, 2019, the principal balance outstanding was \$20,885,941.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **2010 General Obligation Bonds, Series B (Secondary)**

In May 2011, the District issued the 2010 General Obligation Bonds, Series B Bonds in the amount of \$9,200,000. Proceeds from the bonds were used for the purpose of acquiring, constructing, repairing, renovating, and improving school facilities. Interest rates vary from 5.17 to 5.72 percent, and the bonds have a final maturity to occur August 1, 2025. The bonds are designated as "qualified school construction bonds." The District will be eligible to receive direct payment by the Federal government of the Federal subsidy payments. At June 30, 2019, the outstanding balance was \$8,890,000.

### **2010 General Obligation Bonds, Series C (Secondary)**

In June 2012, the District issued the 2010 General Obligation Bonds, Series C in the amount of \$14,997,218 to finance the acquisition, construction, repair and equipping of high school District facilities and to pay issuance costs. The bonds were issued as capital appreciation bonds with the value of the capital appreciation bonds accreting \$22,367,787 and maturing to an aggregate principal debt service balance of \$35,365,000. The bonds have a final maturity to occur on August 1, 2045, with interest rates ranging from 2.54 to 12.00 percent. At June 30, 2019, the principal balance outstanding was \$20,849,049 and unamortized premium were \$75,223.

### **2012 General Obligation Refunding Bonds, Series A**

In June 2012, the District issued the 2012 General Obligation Refunding Bonds, Series A in the amount of \$16,160,000. The bonds have a final maturity that occurs August 1, 2045, with interest rates ranging from 2.00 to 5.00 percent. Proceeds were used to advance refund a portion of the District's outstanding 2000 General Obligation Bonds, Series B. At June 30, 2019, the principal balance outstanding on the 2012 General Obligation Refunding Bonds, Series A was \$11,640,000 and unamortized premium were \$1,197,044.

### **2012 General Obligation Refunding Bonds, Series B**

In June 2012, the District issued the 2012 General Obligation Refunding Bonds, Series B in the amount of \$11,745,000. The bonds have a final maturity that occurs August 1, 2029, with interest rates ranging from 2.00 to 5.00 percent. Proceeds were used to advance refund a portion of the District's outstanding 1998 General Obligation Bonds, Series B and 2004 General Obligation Refunding Bonds, Series A. At June 30, 2019, the principal balance outstanding on the 2012 General Obligation Refunding Bonds, Series B was \$8,085,000 and unamortized premium were \$598,431.

### **2010 General Obligation Bonds, Series B**

In August 2013, the District issued the 2010 General Obligation Bonds, Series B in the amount of \$20,000,000 to finance the acquisition, construction, repair and equipping of District facilities and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2038, with interest rates ranging from 2.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$18,435,000 and unamortized premium were \$342,793.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **2010 General Obligation Bonds, Series D (Secondary)**

In August 2013, the District issued the 2010 General Obligation Bonds, Series D in the amount of \$35,000,000 to finance the acquisition, construction, repair and equipping of high school District facilities and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2038, with interest rates ranging from 2.00 to 5.25 percent. At June 30, 2019, the principal balance outstanding was \$31,985,000 and unamortized premium were \$1,232,268.

### **2014 General Obligation Refunding Bonds**

In December 2014, the District issued the 2014 General Obligation Refunding Bonds in the amount of \$14,235,000. The bonds have a final maturity that occurs August 1, 2030, with interest rates ranging from 2.00 to 3.00 percent. The net proceeds of \$16,079,450 from the issuance (issuance of \$14,235,000 net of premium received of \$1,844,450) were used to advance refund a portion of the District's outstanding 2000 General Obligation Bonds, Series C. At June 30, 2019, the principal balance outstanding was \$11,785,000 and unamortized premium were \$1,268,059.

### **2016 General Obligation Bonds, Series A**

On March 21, 2017, the District issued the Election of 2016 General Obligation Bonds, Series A in the amount of \$50,000,000. The bonds have a final maturity that occurs August 1, 2041, with interest rates ranging from 3.75 to 5.00 percent. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of junior high and high school classrooms, sites, and facilities in the District. At June 30, 2019, the principal balance outstanding was \$44,940,000 and unamortized premium were \$3,840,294.

### **2016 General Obligation Bonds, Series A (School Facilities Improvement District No. 1)**

On March 21, 2017, the District issued the Election of 2016 General Obligation Bonds, Series A (School Facilities Improvement District No. 1) in the amount of \$20,000,000. The bonds have a final maturity that occurs August 1, 2041, with interest rates ranging from 3.00 to 5.00 percent. The bonds were issued to finance the renovation, acquisition, construction, repair, and equipping of elementary school classrooms, sites, and facilities in the District. At June 30, 2019, the principal balance outstanding was \$20,000,000 and unamortized premium were \$1,353,179.

### **2017 General Obligation Bonds, Series A**

On November 2, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series A in the amount of \$20,680,000. The Series A Bonds were issued for the purpose of refunding on a current, prior bond issuances of the High School 2007 General Obligation Refunding Bonds and on an advance basis, a portion of the High School General Obligation Bonds, Election of 2010, Series A. The bonds have a final maturity date to occur on August 1, 2031 with interest rates ranging between 2.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$19,745,000 and unamortized premium were \$2,883,754.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### 2017 General Obligation Bonds, Series B

On November 2, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series B in the amount of \$12,190,000. The Series B Bonds were issued for the purpose of refunding on a current, prior bond issuances of the Elementary School 2007 General Obligation Refunding Bonds and on an advance basis, a portion of the Elementary School General Obligation Bonds, Election of 2010, Series A. The bonds have a final maturity date to occur on August 1, 2031 with interest rates ranging between 2.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding was \$11,440,000 and unamortized premium were \$1,308,35.

### 2016 General Obligation Bonds, Series B

On February 27, 2019, the District issued the Election of 2016 General Obligation Bonds, Series B in the amount of \$50,000,000. The bonds have a final maturity that occurs August 1, 2044, with interest rates ranging from 4.00 to 5.00 percent. The bonds were issued to finance the renovation, acquisition, construction, repair and equipping of junior high and high school classrooms, sites, and facilities in the District. At June 30, 2019, the principal balance outstanding was \$50,000,000 and unamortized premium were \$2,850,725

### 2016 General Obligation Bonds, Series B (School Facilities Improvement District No. 1)

On February 27, 2019, the District issued the Election of 2016 General Obligation Bonds, Series B (School Facilities Improvement District No. 1) in the amount of \$20,000,000. The bonds have a final maturity that occurs August 1, 2044, with interest rates ranging from 3.25 to 5.00 percent. The bonds were issued to finance the renovation, acquisition, construction, repair, and equipping of elementary school classrooms, sites, and facilities in the District. At June 30, 2019, the principal balance outstanding was \$20,000,000 and unamortized premium were \$2,110,726.

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2020	\$ 12,403,180	\$ 1,820	\$ 10,988,218	\$ 23,393,218
2021	11,293,468	6,532	10,623,267	21,923,267
2022	10,332,785	12,215	10,187,213	20,532,213
2023	7,650,828	19,172	9,605,159	17,275,159
2024	8,275,000	-	9,315,568	17,590,568
2025-2029	47,505,301	639,699	43,455,050	91,600,050
2030-2034	60,054,518	9,387,628	36,778,582	106,220,728
2035-2039	74,165,531	36,914,296	24,882,353	135,962,180
2040-2044	65,543,905	49,997,435	16,007,403	131,548,743
2045-2046	21,557,503	5,157,497	1,053,065	27,768,065
Total	\$ 318,782,019	\$ 102,136,294	\$ 172,895,878	\$ 593,814,191

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Capital Leases

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

Balance, July 1, 2018	\$ 1,152,212
Additions	194,949
Payments	1,146,256
Balance, July 1, 2019	<u>\$ 200,905</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payments
2020	\$ 124,485
2021	76,420
Total	200,905
Less: Amount Representing Interest	3,614
Present Value of Minimum Lease Payments	<u>\$ 197,291</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$1,789,554.

### Career Technical Education Facilities Loan

During 2011-2012 fiscal year, the District entered into an agreement with the State Allocation Board for a loan of \$1,442,158 for the purpose of financing a portion of the project costs of the Multimedia Arts and Design Academy Relocation Project at Santa Barbara High School. The loan has a final maturity to occur on July 1, 2021, with an interest rate of 2.568 percent. At June 30, 2019, the District fulfilled its remaining obligation during the current fiscal year.

### Supplemental Early Retirement Plan (SERP)

The District has adopted supplemental early retirement program plans whereby certain eligible employees are provided an annuity to supplemental the retirement benefits they are entitled to through the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchase for 42 employees, and 39 employees who retired during the 2011-2012 and 2013-2014 school years, respectively, were purchased from United Pacific Life Insurance Company. At June 30, 2019, the balance remaining was zero.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 9,893,566	\$ 2,582,815	\$ 1,503,600
Medicare Premium Payment (MPP) Program	951,834	-	(42,819)
Total	\$ 10,845,400	\$ 2,582,815	\$ 1,460,781

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The Public Agency Retirement Services (PARS) administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Financial information for PARS can be found on the PARS website at: <http://www.pars.org>.

*Plan Membership*

At July 1, 2017, the valuation date, the Plan membership consisted of the following:

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

*Benefits Provided*

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

*Contributions*

The contribution requirements of Plan members and the District are established and may be amended by the District, the Santa Barbara Teacher's Association (SBTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, as determined annually through the agreements with the District, SBTA, CSEA, and the unrepresented groups. For the June 30, 2019 fiscal year end, the District contributed \$1,553,713 to the Plan, of which, \$480,632, was used for current premiums and \$1,073,081 was used to fund the OPEB Trust.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Net OPEB Liability of the District

The District's net OPEB liability of \$9,893,566 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 11,004,538
Plan fiduciary net position	(1,110,972)
District's net OPEB liability	<u>\$ 9,893,566</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>10.10%</u>

### Actuarial Assumptions

The total OPEB liability for the June 30, 2018 measurement period was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2017 and rolling forward the total OPEB liability to June 30, 2018. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	2.00 percent, average, including inflation
Investment rate of return	5.00 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00 percent

The investment rate of return was based on assumed long-term return on plan assets assuming 100 percent funding through PARS.

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

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 10,873,056	\$ -	\$ 10,873,056
Service cost	76,505	-	76,505
Interest	535,609	-	535,609
Contributions-employer	-	1,553,713	(1,553,713)
Net investment income	-	39,972	(39,972)
Benefit payments	(480,632)	(480,632)	-
Administrative expense	-	(2,081)	2,081
Net change in total OPEB liability	<u>131,482</u>	<u>1,110,972</u>	<u>(979,490)</u>
Balance at June 30, 2019	<u>\$ 11,004,538</u>	<u>\$ 1,110,972</u>	<u>\$ 9,893,566</u>

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.00%)	\$ 11,498,132
Current discount rate (5.00%)	9,893,566
1% increase (6.00%)	8,588,398

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (4.00%)	\$ 8,532,180
Current healthcare cost trend rate (5.00%)	9,893,566
1% increase (6.00%)	11,573,843

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**OPEB Expense and Deferred Outflows of Resources related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,503,600. At June 30, 2019, the District reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	\$ 2,579,093
Difference between projected and actual earnings on OPEB plan investments	3,722
Total	<u>\$ 2,582,815</u>

The deferred outflows of resources for OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

The deferred outflows of resources for the difference between projected and actual earnings on OPEB plan investments will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
<u>2019</u>	<u>\$ 931</u>
2020	931
2021	931
2022	929
	<u>\$ 3,722</u>

**Medicare Premium Payment (MPP) Program**

**Plan Description**

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Benefits Provided

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

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

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

### Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$951,834 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.2487 percent, and 0.2364 percent, resulting in a net increase in the proportionate share of 0.0123 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(42,819).

### Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 1,052,776
Current discount rate (3.87%)	951,834
1% increase (4.87%)	860,691

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 867,977
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	951,834
1% increase (4.7% Part A and 5.1% Part B)	1,042,021

**NOTE 11 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Stores inventories	\$ 6,329	\$ -	\$ -	\$ 75,904	\$ 82,233
Prepaid expenditures	678,979	-	-	-	678,979
Total Nonspendable	685,308	-	-	75,904	761,212
<b>Restricted</b>					
Legally restricted programs	3,622,915	-	-	585,752	4,208,667
Capital projects	-	95,555,876	-	10,286,321	105,842,197
Debt services	-	-	30,983,566	-	30,983,566
Total Restricted	3,622,915	95,555,876	30,983,566	10,872,073	141,034,430
<b>Committed</b>					
Deferred maintenance	-	-	-	887,610	887,610
<b>Assigned</b>					
One-time mandate funds	1,817,823	-	-	-	1,817,823
Other program balances	1,262,746	-	-	95,648	1,358,394
Total Assigned	3,080,569	-	-	95,648	3,176,217
<b>Unassigned</b>					
Reserve for economic uncertainties	16,699,082	-	-	-	16,699,082
Remaining unassigned	5,330,015	-	-	-	5,330,015
Total Unassigned	22,029,097	-	-	-	22,029,097
Total	\$ 29,417,889	\$ 95,555,876	\$ 30,983,566	\$ 11,931,235	\$ 167,888,566

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 12 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year ending June 30, 2019, the District participated in the Self-Insured Schools of California II (SISC II) public entity risk pool for property and liability insurance coverage. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2019, the District participated in the Self-Insured Schools of California I (SISC I) public entity risk pool. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SISC I. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

#### Employee Medical Benefits

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

### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 127,330,903	\$ 39,207,288	\$ 12,428,687	\$ 15,051,357
CalPERS	59,614,779	15,967,598	510,696	11,227,128
Total	<u>\$ 186,945,682</u>	<u>\$ 55,174,886</u>	<u>\$ 12,939,383</u>	<u>\$ 26,278,485</u>

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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

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

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

**Contributions**

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$11,974,313.

**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:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 127,330,903
State's proportionate share of the net pension liability associated with the District	72,902,897
Total	<u><u>\$ 200,233,800</u></u>

The net pension liability was measured as of 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 and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1385 percent and 0.1306 percent, resulting in a net increase in the proportionate share of 0.0079 percent.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$15,051,357. In addition, the District recognized pension expense and revenue of \$8,564,446 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
Pension contributions subsequent to measurement date	\$ 11,974,313	\$ -
Net change in proportionate share of net pension liability	7,056,928	5,676,092
Differences between projected and actual earnings on pension plan investments	-	4,903,043
Differences between expected and actual experience in the measurement of the total pension liability	394,848	1,849,552
Changes of assumptions	19,781,199	-
Total	<u>\$ 39,207,288</u>	<u>\$ 12,428,687</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,064,590
2021	(772,494)
2022	(4,113,463)
2023	(1,081,676)
Total	<u>\$ (4,903,043)</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,674,521
2021	3,674,521
2022	3,674,518
2023	3,379,653
2024	4,424,334
Thereafter	879,784
Total	<u>\$ 19,707,331</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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:

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

### Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 186,524,872
Current discount rate (7.10%)	127,330,903
1% increase (8.10%)	78,253,358

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$5,519,439.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$59,614,779. The net pension liability was measured as of 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. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.2236 percent and 0.2229 percent, resulting in a net increase in the proportionate share of 0.0007 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$11,227,128. 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
Pension contributions subsequent to measurement date	\$ 5,519,439	\$ -
Net change in proportionate share of net pension liability	98,785	510,696
Differences between projected and actual earnings on pension plan investments	488,975	-
Differences between expected and actual experience in the measurement of the total pension liability	3,908,126	-
Changes of assumptions	5,952,273	-
Total	<u>\$ 15,967,598</u>	<u>\$ 510,696</u>

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,778,510
2021	425,315
2022	(1,362,978)
2023	(351,872)
Total	<u>\$ 488,975</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 4,117,804
2021	4,010,486
2022	1,320,198
Total	<u>\$ 9,448,488</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 86,796,267
Current discount rate (7.15%)	59,614,779
1% increase (8.15%)	37,063,843

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$6,728,498 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule*.

### **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

#### **Litigation**

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Adams Elementary School - Playground Renovation	\$ 997,779	09/30/19
Dos Pueblos High School - Student Parking Lot Upgrade	895,022	09/30/19
San Marcos High School - I Wing Roof Replacement	159,510	09/30/19
McKinley Elementary School - Boiler Replacement	104,062	12/31/19
Parma Preschool - Building Project	152,450	12/31/19
Santa Barbara High School - Peabody Stadium	4,020,448	12/31/19
Santa Barbara High School - Peabody Stadium	1,556,997	12/31/19
Washington Elementary School - Multi Purpose Room	294,905	12/31/19
Dos Pueblos High School - Baseball Backstop Replacement	630,945	03/31/20
Dos Pueblos High School - Intercom & Bell Replacement Project	304,562	03/31/20
Goleta Valley Junior High School - Intercom & Bell Replacement Project	222,212	03/31/20
Harding Elementary School - Multi Purpose Room	4,590	03/31/20
Santa Barbara High School - Boiler/Heating Replacement	490,761	03/31/20
District Wide Storm Water Requirement Research	9,450	06/30/20
Dos Pueblos High School - Store Front	15,139	06/30/20
Goleta Valley Junior High School - Playground/Pavement Renovation	6,506	06/30/20
Prototype Portable Replacement	41,350	06/30/20
San Marcos High School - ADA Restroom Modernization Phase II	55,876	06/30/20
San Marcos High School - Baseball Backstop Upgrade	706,787	06/30/20
Santa Barbara High School - Concession Project	420	06/30/20
Santa Barbara High School - Window Replacement	17,986	06/30/20
Santa Barbara High School - Window Replacement	19,369	06/30/20
Peabody Charter School - Boiler Replacement	149,383	09/30/20
Cleveland Elementary School - Multi Purpose Room	268,813	12/31/20
Los Flores Preschool - Building Replacement	31,150	12/31/20
La Cumbre Junior High School - Window Replacement	17,986	03/30/21
Cleveland Elementary School - Portable Project	258,950	06/30/21
Santa Barbara Junior High School - MP/Locker Room Replacement & HVAC	16,536,799	06/30/21
Adams Elementary School - Kindergarten Classroom Phase I	146,010	03/31/22
Adams Elementary School - Library Complex Replacement Phase II	192,925	03/31/22
McKinley Elementary School - Portable Replacement & Elevator	30,179	03/31/22
McKinley Elementary School - Window Replacement	13,592	03/31/22
Monroe Elementary School - Portable Replacement	155,952	03/31/22
Armory Development	13,500	06/30/22
Dos Pueblos High School - Portable Replacement (CTE)	428,372	06/30/22
Harding Univeristy Partnership School - Portable Replacement	105,362	12/31/22
	\$ 29,056,099	

# **SANTA BARBARA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS**

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

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

During the year ended June 30, 2019, the District made payments of \$1,748,749, \$1,039,853, and \$14,024,070 to the Self-Insured Schools of California I (SISC I), Self-Insured Schools of California II (SISC II), and Self-Insured Schools of California III (SISC III), respectively, for the services noted above.

### **NOTE 16 - SUBSEQUENT EVENTS**

The District issued \$10,000,000 of Tax and Revenue Anticipation Notes dated July 3, 2019. The notes mature on June 30, 2020 and yield an interest rate of 1.23 percent. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning April 2020, until 100 percent of principal and interest due is on account in May 31, 2020.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
	<b>REVENUES</b>			
Local Control Funding Formula	\$ 128,596,526	\$ 127,585,942	\$ 128,316,558	\$ 730,616
Federal sources	6,234,004	7,973,307	7,019,970	(953,337)
Other State sources	12,371,659	14,066,910	23,114,700	9,047,790
Other local sources	9,004,356	14,489,453	15,429,257	939,804
<b>Total Revenues</b> <sup>1</sup>	<b>156,206,545</b>	<b>164,115,612</b>	<b>173,880,485</b>	<b>9,764,873</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	73,950,951	72,964,884	73,279,114	(314,230)
Classified salaries	28,379,866	27,558,536	27,834,277	(275,741)
Employee benefits	34,841,165	34,938,068	42,977,340	(8,039,272)
Books and supplies	6,370,743	9,560,044	8,205,443	1,354,601
Services and operating expenditures	21,850,125	25,946,224	22,324,045	3,622,179
Capital outlay	456,084	809,830	732,962	76,868
Other outgo	(556,700)	2,899,430	3,006,096	(106,666)
<b>Total Expenditures</b> <sup>1</sup>	<b>165,292,234</b>	<b>174,677,016</b>	<b>178,359,277</b>	<b>(3,682,261)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(9,085,689)</b>	<b>(10,561,404)</b>	<b>(4,478,792)</b>	<b>6,082,612</b>
<b>Other Financing Sources (Uses)</b>				
Other sources - capital lease	52,000	194,950	194,949	(1)
Transfers out	(1,425,411)	(2,386,457)	(809,937)	1,576,520
<b>Net Financing Sources (Uses)</b>	<b>(1,373,411)</b>	<b>(2,191,507)</b>	<b>(614,988)</b>	<b>1,576,519</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(10,459,100)</b>	<b>(12,752,911)</b>	<b>(5,093,780)</b>	<b>7,659,131</b>
<b>Fund Balances - Beginning</b>	<b>34,511,669</b>	<b>34,511,669</b>	<b>34,511,669</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 24,052,569</b>	<b>\$ 21,758,758</b>	<b>\$ 29,417,889</b>	<b>\$ 7,659,131</b>

<sup>1</sup> Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, has, for reporting purposes been consolidated into the General Fund, with additional revenues and expenditures pertaining to this fund included in the Actual (GAAP Basis) revenues and expenditures, however they are not included in the original and final General Fund budgets. On behalf payments of \$6,915,494 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 76,505	\$ 75,005
Interest	535,609	528,352
Benefit payments	(480,632)	(439,332)
<b>Net change in total OPEB liability</b>	<u>131,482</u>	<u>164,025</u>
<b>Total OPEB liability - beginning</b>	<u>10,873,056</u>	<u>10,709,031</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 11,004,538</u></u>	<u><u>\$ 10,873,056</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 1,553,713	\$ 439,332
Net investment income	39,972	-
Benefit payments	(480,632)	(439,332)
Administrative expense	(2,081)	-
<b>Net change in plan fiduciary net position</b>	<u>1,110,972</u>	<u>-</u>
<b>Plan fiduciary net position - beginning</b>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,110,972</u></u>	<u><u>\$ -</u></u>
<b>District's net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 9,893,566</u></u>	<u><u>\$ 10,873,056</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>10.10%</u>	<u>0.00%</u>
<b>Covered-employee payroll</b>	<u>\$ 77,243,228</u>	<u>\$ 75,728,655</u>
<b>District's net/total OPEB liability as a percentage of covered-employee payroll</b>	<u>12.81%</u>	<u>14.36%</u>

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

See accompanying note to required supplementary information.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

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Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.2487%	0.2364%
District's proportionate share of the net OPEB liability	\$ 951,834	\$ 994,653
District's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See accompanying note to required supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.1385%</u>	<u>0.1306%</u>
District's proportionate share of the net pension liability	\$ 127,330,903	\$ 120,769,670
State's proportionate share of the net pension liability associated with the District	<u>72,902,897</u>	<u>71,446,317</u>
Total	<u><u>\$ 200,233,800</u></u>	<u><u>\$ 192,215,987</u></u>
District's covered - employee payroll	<u>\$ 73,096,292</u>	<u>\$ 68,820,461</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>174%</u>	<u>175%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.2236%</u>	<u>0.2229%</u>
District's proportionate share of the net pension liability	<u>\$ 59,614,779</u>	<u>\$ 53,210,005</u>
District's covered - employee payroll	<u>\$ 29,336,314</u>	<u>\$ 27,839,991</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>203%</u>	<u>191%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.1351%</u>	<u>0.1427%</u>	<u>0.1374%</u>
<u>\$ 109,257,614</u>	<u>\$ 96,079,649</u>	<u>\$ 80,277,613</u>
<u>62,198,411</u>	<u>50,815,543</u>	<u>48,475,089</u>
<u>\$ 171,456,025</u>	<u>\$ 146,895,192</u>	<u>\$ 128,752,702</u>
<u>\$ 66,926,589</u>	<u>\$ 65,023,829</u>	<u>\$ 60,683,934</u>
<u>163%</u>	<u>148%</u>	<u>132%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.2279%</u>	<u>0.2308%</u>	<u>0.2268%</u>
<u>\$ 45,019,191</u>	<u>\$ 34,012,847</u>	<u>\$ 25,752,220</u>
<u>\$ 27,228,260</u>	<u>\$ 25,741,347</u>	<u>\$ 23,687,741</u>
<u>165%</u>	<u>132%</u>	<u>109%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 11,974,313	\$ 10,547,795
Contributions in relation to the contractually required contribution	<u>(11,974,313)</u>	<u>(10,547,795)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 73,552,291</u>	<u>\$ 73,096,292</u>
Contributions as a percentage of covered - employee payroll	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 5,519,439	\$ 4,556,223
Contributions in relation to the contractually required contribution	<u>(5,519,439)</u>	<u>(4,556,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 30,558,294</u>	<u>\$ 29,336,314</u>
Contributions as a percentage of covered - employee payroll	<u>18.06%</u>	<u>15.53%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 8,657,614	\$ 7,181,223	\$ 5,774,116
<u>(8,657,614)</u>	<u>(7,181,223)</u>	<u>(5,774,116)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 68,820,461	\$ 66,926,589	\$ 65,023,829
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 3,866,418	\$ 3,225,732	\$ 3,030,014
<u>(3,866,418)</u>	<u>(3,225,732)</u>	<u>(3,030,014)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 27,839,991	\$ 27,228,260	\$ 25,741,347
<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Budgetary Comparison Schedule

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

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

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

At June 30, 2019, the General Fund exceeded the budgeted amount in total as follows:

	Expenditures		
	Budget	Actual*	Excess
General Fund	<u>\$ 177,063,473</u>	<u>\$ 179,169,214</u>	<u>\$ 2,105,741</u>

\* On behalf payments of \$6,915,494 related to Senate Bill 90 are included in actual expenditures but have not been included in the budgeted amounts.

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

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

*Change in Benefit Terms* – There were no changes in the benefit terms.

*Change of Assumptions* – There were no changes in economic assumptions.

#### Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

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

*Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of District Contributions**

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



**SUPPLEMENTARY INFORMATION**

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	\$ 2,573,596
Title II, Part A - Supporting Effective Instruction	84.367	14341	349,181
Title III - English Learner Student Program	84.365	14346	544,918
Vocational Education Grants			
Applied Technology - Secondary Education	84.048	14894	100,213
Passed through Santa Barbara County SELPA:			
Special Education Cluster:			
Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,519,190
Preschool Grants, Part B, Sec 619	84.173	13430	48,189
Subtotal for Special Education Cluster			<u>2,567,379</u>
Passed through Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	CNTR - 29853	335,587
Total U.S. Department of Education			<u>6,470,874</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
Basic Breakfast	10.553	13525	13,323
Especially Needy Breakfast	10.553	13526	1,692,953
National School Lunch Program	10.555	13524	3,059,844
Meal Supplements	10.555	13392	151,755
Food Distribution	10.555	13524	515,654
Summer Food Program	10.559	13004	496,499
Subtotal for Child Nutrition Cluster			<u>5,930,028</u>
Child and Adult Care Food Program	10.558	13529	729,105
Passed through Santa Barbara County Office of Education:			
Forest Reserve	10.665	10044	329
Total U.S. Department of Agriculture			<u>6,659,462</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health and Human Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	253,697
Medi-Cal Administrative Activities Program	93.778	10060	403,066
Subtotal for Medicaid Cluster			<u>656,763</u>
Passed through CDE:			
Child Development - Federal Child Care, Center Based	93.596	13609, 15136	313,550
Total U.S. Department of Health and Human Services			<u>970,313</u>
Total Expenditures of Federal Awards			<u>\$ 14,100,649</u>

See accompanying note to supplementary information.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### ORGANIZATION

The Santa Barbara Unified School District was unified July 1, 2011 and consists of an area comprising approximately 136.4 square miles. The District operates ten elementary schools, four junior high schools, three high schools, one continuation school, one charter school, and two alternative schools. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Wendy Sims-Moten	President	2020
Laura Capps	Vice President	2020
Jacqueline Reid	Clerk	2020
Kate Ford	Member	2022
Rose MuKate ParkerRose Muñoz	Member	2022

### ADMINISTRATION

Cary Matsuoka	Superintendent
Meg Jetté	Assistant Superintendent, Business Services
John Becchio	Assistant Superintendent, Human Resources
Frann Wageneck	Assistant Superintendent, Student Services
Shawn Carey	Assistant Superintendent, Secondary Education
Raul Ramirez	Assistant Superintendent, Elementary Education
Todd Ryckman	Chief Education Technology Officer

See accompanying note to supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period	Annual
	Report	Report
	No. 2A1A1709	No. 8F1E673D
Regular ADA		
Transitional kindergarten through third	2,134.40	2,133.66
Fourth through sixth	1,693.78	1,691.69
Seventh and eighth	2,910.34	2,903.10
Ninth through twelfth	5,892.93	5,853.64
Total Regular ADA	<u>12,631.45</u>	<u>12,582.09</u>
Extended Year Special Education		
Transitional kindergarten through third	4.30	4.30
Fourth through sixth	1.41	1.41
Seventh and eighth	2.64	2.64
Ninth through twelfth	6.20	6.20
Total Extended Year Special Education	<u>14.55</u>	<u>14.55</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	<u>5.79</u>	<u>6.04</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	<u>0.67</u>	<u>0.67</u>
Total ADA	<u><u>12,652.46</u></u>	<u><u>12,603.35</u></u>

	Final Report	
	Second Period	Annual
	Report	Report
	No. E001B693	No. DB6CB4D6
<b>SANTA BARBARA CHARTER SCHOOL</b>		
Regular ADA		
Transitional kindergarten through third	157.82	157.83
Fourth through sixth	114.82	114.93
Seventh and eighth	5.24	5.18
Total Regular ADA	<u>277.88</u>	<u>277.94</u>
Classroom based ADA (included in Regular ADA)		
Transitional kindergarten through third	124.43	124.23
Fourth through sixth	98.18	98.21
Total Regular ADA	<u>222.61</u>	<u>222.44</u>

See accompanying note to supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	44,120	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		51,072	180	-	Complied
Grade 2		51,072	180	-	Complied
Grade 3		51,072	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,440	180	-	Complied
Grade 5		54,440	180	-	Complied
Grade 6		54,440	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		55,566	180	-	Complied
Grade 8		55,566	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,158	180	-	Complied
Grade 10		65,158	180	-	Complied
Grade 11		65,158	180	-	Complied
Grade 12		65,158	180	-	Complied

**SANTA BARBARA CHARTER SCHOOL**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	44,120	175	-	Complied
Grades 1 - 3	50,400				
Grade 1		54,440	175	-	Complied
Grade 2		54,440	175	-	Complied
Grade 3		54,440	175	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,440	175	-	Complied
Grade 5		54,440	175	-	Complied
Grade 6		54,440	175	-	Complied

See accompanying note to supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
<b>GENERAL FUND <sup>3</sup></b>				
Revenues	\$ 164,543,688	\$ 173,695,568	\$ 163,793,096	\$ 156,161,586
Other sources	-	194,949	-	2,019,162
Total Revenues and Other Sources	164,543,688	173,890,517	163,793,096	158,180,748
Expenditures	175,708,379	178,359,277	159,511,339	153,880,503
Other uses and transfers out	525,687	2,809,937	3,564,641	1,429,561
Total Expenditures and Other Uses	176,234,066	181,169,214	163,075,980	155,310,064
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (11,690,378)</b>	<b>\$ (7,278,697)</b>	<b>\$ 717,116</b>	<b>\$ 2,870,684</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 6,310,827</b>	<b>\$ 18,001,205</b>	<b>\$ 25,279,902</b>	<b>\$ 24,562,786</b>
<b>AVAILABLE RESERVES <sup>2</sup></b>	<b>\$ 14,010,646</b>	<b>\$ 22,029,097</b>	<b>\$ 26,323,717</b>	<b>\$ 17,292,788</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<b>7.95%</b>	<b>12.16%</b>	<b>16.14%</b>	<b>11.13%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>N/A</b>	<b>\$ 350,674,795</b>	<b>\$ 286,269,440</b>	<b>\$ 287,127,990</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>12,592</b>	<b>12,652</b>	<b>12,929</b>	<b>13,096</b>

The General Fund balance has decreased by \$6,561,581 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$11,690,378 (64.9 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$63,546,805 over the past two years.

Average daily attendance has decreased by 444 over the past two years. An additional decline of 60 ADA is anticipated during fiscal year 2019-2020.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2019**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Santa Barbara Charter (Charter Number 0020)	Yes
Adelante (Charter Number 0326)	No
Peabody (Charter Number 0021)	No

See accompanying note to supplementary information.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	<b>Charter School Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 112,373	\$ 359,324	\$ 197,583
Receivables	186,895	220,993	2,169,873
Due from other funds	164,601	-	-
Stores inventories	-	-	75,904
<b>Total Assets</b>	<b>\$ 463,869</b>	<b>\$ 580,317</b>	<b>\$ 2,443,360</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	\$ -	\$ -	\$ 1,938,188
Accounts payable	31,420	86,762	429,256
Due to other funds	244,616	-	-
<b>Total Liabilities</b>	<b>276,036</b>	<b>86,762</b>	<b>2,367,444</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	75,904
Restricted	129,311	456,436	5
Committed	-	-	-
Assigned	58,522	37,119	7
<b>Total Fund Balances</b>	<b>187,833</b>	<b>493,555</b>	<b>75,916</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 463,869</b>	<b>\$ 580,317</b>	<b>\$ 2,443,360</b>

See accompanying note to supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund For Capital Outlay Projects</b>	<b>Total Non-Major Governmental Funds</b>
\$ 973,515	\$ 4,481,420	\$ 5,933,470	\$ 307,362	\$ 12,365,047
4,882	23,477	35,681	2,385	2,644,186
-	-	-	-	164,601
-	-	-	-	75,904
<u>\$ 978,397</u>	<u>\$ 4,504,897</u>	<u>\$ 5,969,151</u>	<u>\$ 309,747</u>	<u>\$ 15,249,738</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,938,188
90,787	10,511	476,735	10,228	1,135,699
-	-	-	-	244,616
<u>90,787</u>	<u>10,511</u>	<u>476,735</u>	<u>10,228</u>	<u>3,318,503</u>
-	-	-	-	75,904
-	4,494,386	5,492,416	299,519	10,872,073
887,610	-	-	-	887,610
-	-	-	-	95,648
<u>887,610</u>	<u>4,494,386</u>	<u>5,492,416</u>	<u>299,519</u>	<u>11,931,235</u>
<u>\$ 978,397</u>	<u>\$ 4,504,897</u>	<u>\$ 5,969,151</u>	<u>\$ 309,747</u>	<u>\$ 15,249,738</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

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

	<b>Charter School Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 2,406,481	\$ -	\$ -
Federal sources	46,109	313,550	6,659,132
Other State sources	183,797	2,351,019	496,286
Other local sources	555,797	703,576	2,825,591
<b>Total Revenues</b>	<b>3,192,184</b>	<b>3,368,145</b>	<b>9,981,009</b>
<b>EXPENDITURES</b>			
Current			
Instruction	2,484,920	-	-
Instruction-related activities:			
School site administration	303,238	-	-
Pupil services:			
Home-to-school transportation	16,170	-	-
Food services	-	27,776	10,580,025
All other pupil services	72,036	-	-
Administration:			
All other administration	244,616	169,321	-
Plant services	75,092	32,929	222,669
Community services	180,152	3,268,612	-
Other outgo	7	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	1,724	-
Interest and other	-	417	-
<b>Total Expenditures</b>	<b>3,376,231</b>	<b>3,500,779</b>	<b>10,802,694</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(184,047)</b>	<b>(132,634)</b>	<b>(821,685)</b>
<b>Other Financing Sources</b>			
Transfers in	103,887	-	606,050
<b>NET CHANGE IN FUND BALANCES</b>	<b>(80,160)</b>	<b>(132,634)</b>	<b>(215,635)</b>
<b>Fund Balances - Beginning</b>	<b>267,993</b>	<b>626,189</b>	<b>291,551</b>
<b>Fund Balances - Ending</b>	<b>\$ 187,833</b>	<b>\$ 493,555</b>	<b>\$ 75,916</b>

See accompanying note to supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund For Capital Outlay Projects</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 2,406,481
-	-	-	-	7,018,791
1,035,832	-	432,147	-	4,499,081
10,809	1,214,848	142,225	15,551	5,468,397
<u>1,046,641</u>	<u>1,214,848</u>	<u>574,372</u>	<u>15,551</u>	<u>19,392,750</u>
-	-	-	-	2,484,920
-	-	-	-	303,238
-	-	-	-	16,170
-	-	-	-	10,607,801
-	-	-	-	72,036
-	-	-	-	413,937
23,183	26,628	-	-	380,501
-	-	-	-	3,448,764
-	-	-	-	7
135,848	754,491	3,201,299	1,008,836	5,100,474
-	621,058	-	-	622,782
-	-	-	-	417
<u>159,031</u>	<u>1,402,177</u>	<u>3,201,299</u>	<u>1,008,836</u>	<u>23,451,047</u>
<u>887,610</u>	<u>(187,329)</u>	<u>(2,626,927)</u>	<u>(993,285)</u>	<u>(4,058,297)</u>
-	-	-	100,000	809,937
887,610	(187,329)	(2,626,927)	(893,285)	(3,248,360)
-	4,681,715	8,119,343	1,192,804	15,179,595
<u>\$ 887,610</u>	<u>\$ 4,494,386</u>	<u>\$ 5,492,416</u>	<u>\$ 299,519</u>	<u>\$ 11,931,235</u>

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the prior period as revenues that were not spent. These amounts have been expended as of June 30, 2019.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 14,038,761
Medi-Cal Billing Option	93.778	<u>61,888</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 14,100,649</u></u>

**Local Education Agency Organization Structure**

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

**Schedule of Average Daily Attendance (ADA)**

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

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201. The District neither met its target funding.

The Charter School is required to comply with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable. The Charter School neither met nor exceeded its target funding.

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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



## **INDEPENDENT AUDITOR'S REPORTS**



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

Governing Board  
Santa Barbara Unified School District  
Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Santa Barbara Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2019.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Santa Barbara Unified School District in a separate letter dated December 11, 2019.

## **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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 11, 2019



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

Governing Board  
Santa Barbara Unified School District  
Santa Barbara, California

**Report on Compliance for Each Major Federal Program**

We have audited Santa Barbara Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Barbara Unified School District's major Federal programs for the year ended June 30, 2019. Santa Barbara Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Santa Barbara Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

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

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

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

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



Rancho Cucamonga, California  
December 11, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Santa Barbara Unified School District  
Santa Barbara, California

### **Report on State Compliance**

We have audited Santa Barbara Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Santa Barbara Unified School District's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Santa Barbara Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Santa Barbara Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Santa Barbara Unified School District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Santa Barbara Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

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

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

The District did not participate in the Charter School Facility Grant Program; therefore, we did not perform any procedures for Charter School Facility Grant Program.

*Eide Sully LLP*

Rancho Cucamonga, California  
December 11, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>84.027 and 84.173</u>	<u>Special Education Cluster</u>
<u>93.778</u>	<u>Medicaid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**SANTA BARBARA UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

### *State Awards Findings*

**2018-001      Code 70000**

#### **Criteria or Specific Requirements**

According to the California *Education Code* Section 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school for that year. The board shall also provide a ten day notice of the public hearing. The notice shall contain the time, place, and purpose of the hearing and shall be posted in three public places in the school district.

#### **Condition**

The District was found to be out of compliance with regard to when the public hearing for instructional materials was held. The District held the hearing on November 14, 2017, which was not within the first eight weeks of the start of school. Additionally, the related notice was not posted.

#### **Questioned Costs**

There were no questioned costs associated with this condition.

#### **Context**

The condition was identified through inquiry with District personnel and also through review of available District records related to the minutes of board meetings. Also, the District did not post the notice of public hearing.

#### **Effect**

A public hearing, as required by *Educational Code*, was not held within eight weeks from the first day of the school year. No notice was posted containing the time, place, and purpose of the public hearing.

#### **Cause**

Turnover in staff caused oversight of applicable compliance requirements.

# SANTA BARBARA UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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### **Recommendation**

The District should make every effort to hold the public meeting before the eight weeks prior to the start of school. The District should designate a management employee with the responsibility for making sure the public hearing is identified on the board agenda before the eight weeks have passed. It is recommended that the District implement procedures to ensure that the notice of public hearing is posted for the time frame as noted in the above referenced education code.

### **Current Status**

Implemented.



Management  
Santa Barbara Unified School District  
Santa Barbara, California

In planning and performing our audit of the financial statements of Santa Barbara Unified School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2019, on the government-wide financial statements of the District.

#### ***FUND BALANCE – Cafeteria Fund***

##### Observation

The Cafeteria Fund has incurred operating deficits in two of the past three years. For the 2018-2019 fiscal year, the Cafeteria Fund had deficit spending due to program improvements. Although the General Fund makes an annual contribution, it is generally not intended to cover the deficit amount. Although this year's deficit resulted in the Cafeteria Fund having a positive fund balance, the ending balance was reserved for stores inventory. Reserved fund balance is the portion that is not available for expenditure or is legally segregated for a specific future use, and therefore, cannot be appropriated. The fund balance represented by the store's inventory balance is not available for spending and must be classified as reserved or nonspendable. The remaining fund balance is reported to indicate the funds available to cover unanticipated expenditures. After the appropriate reservation of the store's inventory balance and other designations, the Cafeteria Fund ended the year without a remaining fund balance.

##### Recommendation

The District should review its actual expenditures to date in comparison with the year-end projections to determine if any adjustments to the budgeted transfer should be made. The District should concentrate its efforts in reversing the trend of deficit spending.

***GENERAL DISBURSEMENTS (including Travel and Conference and Credit Cards)***

Observations

Based on the review of the disbursement procedures, the following issues were noted:

- Two of the 40 general disbursements selected for testing were not preapproved.
- Five of the 40 travel and conference disbursements selected were not approved before the conference date.
- Seven of the 40 credit card charges selected had purchase orders generated after the purchase.

Recommendation

To strengthen internal controls over the purchasing function, all purchase requisitions and/or purchase orders should be prepared prior to purchasing or ordering merchandise. All disbursements should be approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of those approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets. The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

***ASSOCIATED STUDENT BODY (ASB)***

*Deficit Fund Balances*

Observation

During our review of the financial statements, it was noted that three schools had multiple trust accounts with negative balances as of the year-end. More specifically, the athletic accounts at Dos Pueblos High School had a significant negative balance totaling \$169,961 that has been increasing over the years.

Recommendation

The Principal, ASB Advisor, and the ASB bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The site should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made.

*La Colina Middle School*

Observations

During the audit of ASB funds, we noted the following issues:

1. Two of the seven disbursements tested were not approved prior to the transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
2. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, three of the seven vendor invoices were paid without the direct knowledge of whether or not the goods being ordered had been received by the ASB.
3. Two of the three deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 11 to 62 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
4. One of the two revenue potentials tested were incomplete. The total items sold were not documented on the worksheet after the event was completed.

Recommendations

1. To ensure proper internal controls over the ASB disbursements, the site should ensure that all transactions are pre-approved by the student council. This would allow the administrator and/or student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. All goods being ordered should be documented with explicit receiving documentation (i.e. packing slip or receiving signature). The documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.
4. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.

We will review the status of the current year comments during our next audit engagement.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 11, 2019

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## APPENDIX E

### BOOK ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent (defined herein) on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

## APPENDIX F

### SANTA BARBARA COUNTY INVESTMENT POOL

*The following information concerning the Santa Barbara County Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer, and has not been confirmed or verified by the District or the Underwriters. None of the District, the Municipal Advisor and the Underwriter have made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Santa Barbara County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at <http://www.countyofsb.org/ttcpapg>; however, the information presented on such website is not incorporated herein by any reference.*

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**SANTA BARBARA COUNTY**

**TREASURER'S REPORT TO THE BOARD OF SUPERVISORS AND  
THE TREASURY OVERSIGHT COMMITTEE**

**FOR THE QUARTER ENDED MARCH 31, 2020**

## **ECONOMIC TREND**

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- **On March 3, 2020 and on March 16, 2020 the Federal Open Market Committee decided to reduce the target range for federal funds 50 basis points and 100 basis points respectively. The target range for federal funds began the quarter at 1.75 percent and ended the quarter at .25 percent**
- **As summarized in the Beige Book issued April 15, 2020, Economic activity contracted sharply and abruptly across all regions in the United States as a result of the COVID-19 pandemic. The hardest hit industries because of social distancing measures and mandated closures were leisure and hospitality, and retail aside from essential goods. All Districts reported highly uncertain outlooks among business contacts, with most expecting conditions to worsen in the next several months.**
- **Employment declined in all Districts, steeply in many cases, as the pandemic affected firms in many sectors. Employment cuts were most severe in the retail and leisure and hospitality sectors, where widespread mandatory closures and steep falloffs in demand. Severe job cuts were widespread, including the manufacturing and energy sectors.**
- **The general direction of price inflation was down for both selling prices and non-labor input prices, as Districts reported either slowing price growth, flat prices, or modest to moderate declines in prices on balance. These trends were seen as reflecting weaker demand for many goods and services.**

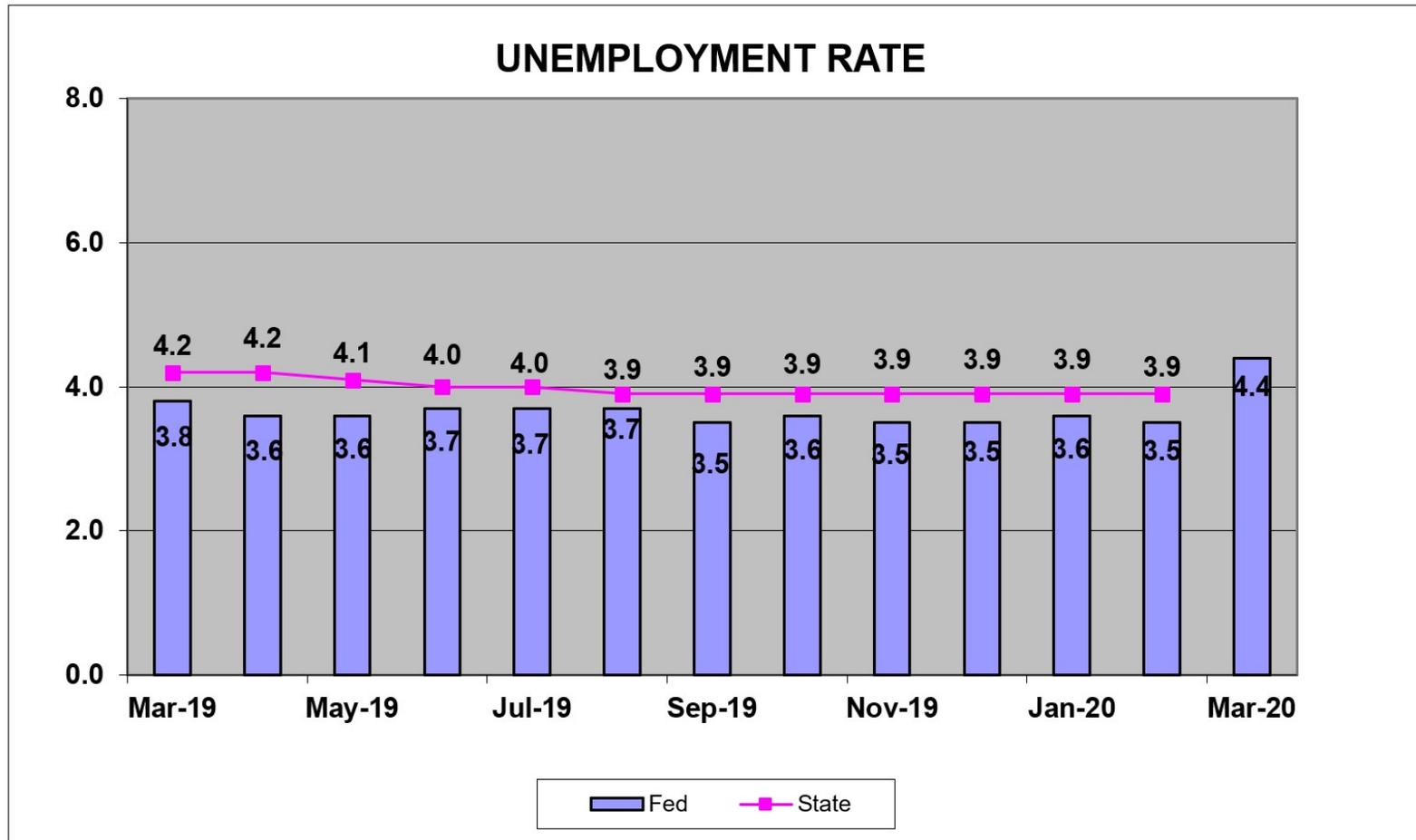
## **INVESTMENT ACTIVITIES**

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- **The investment portfolio is in compliance with the Government Code and the Treasurer's Investment Policy.**
- **The Treasurer's Investment Pool has sufficient cash flow available to meet all budgeted expenditures for the next six months.**

## ECONOMIC TREND: Unemployment Rate

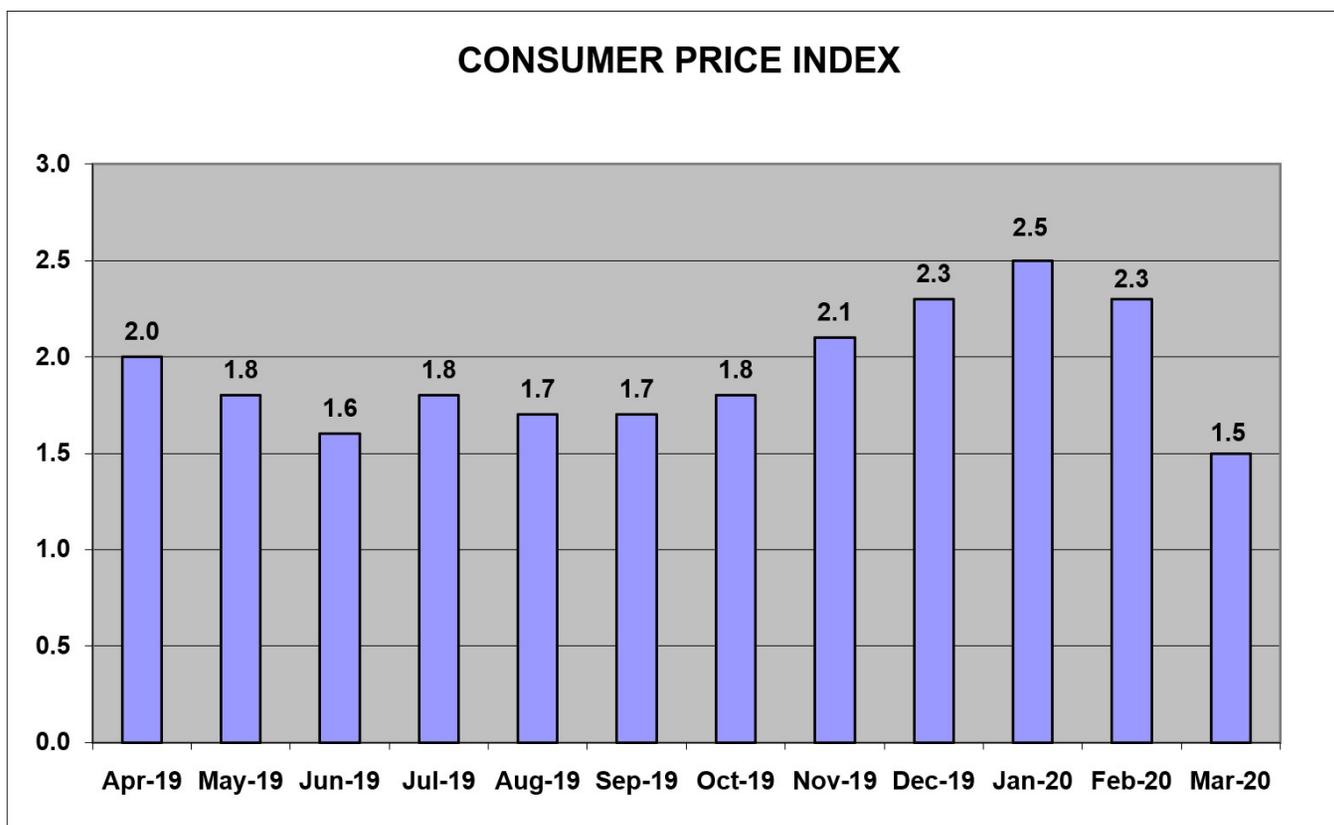
The unemployment rate represents the number of unemployed persons as a percent of the labor force. The sampling used each month to calculate the rate is approximately 60,000 households. The national unemployment rate began the quarter at 3.5% and ended the quarter at 4.4%. California's preliminary unemployment rate was 3.9% in February.



Source: Bureau of Labor Statistics

## ECONOMIC TREND: Inflation

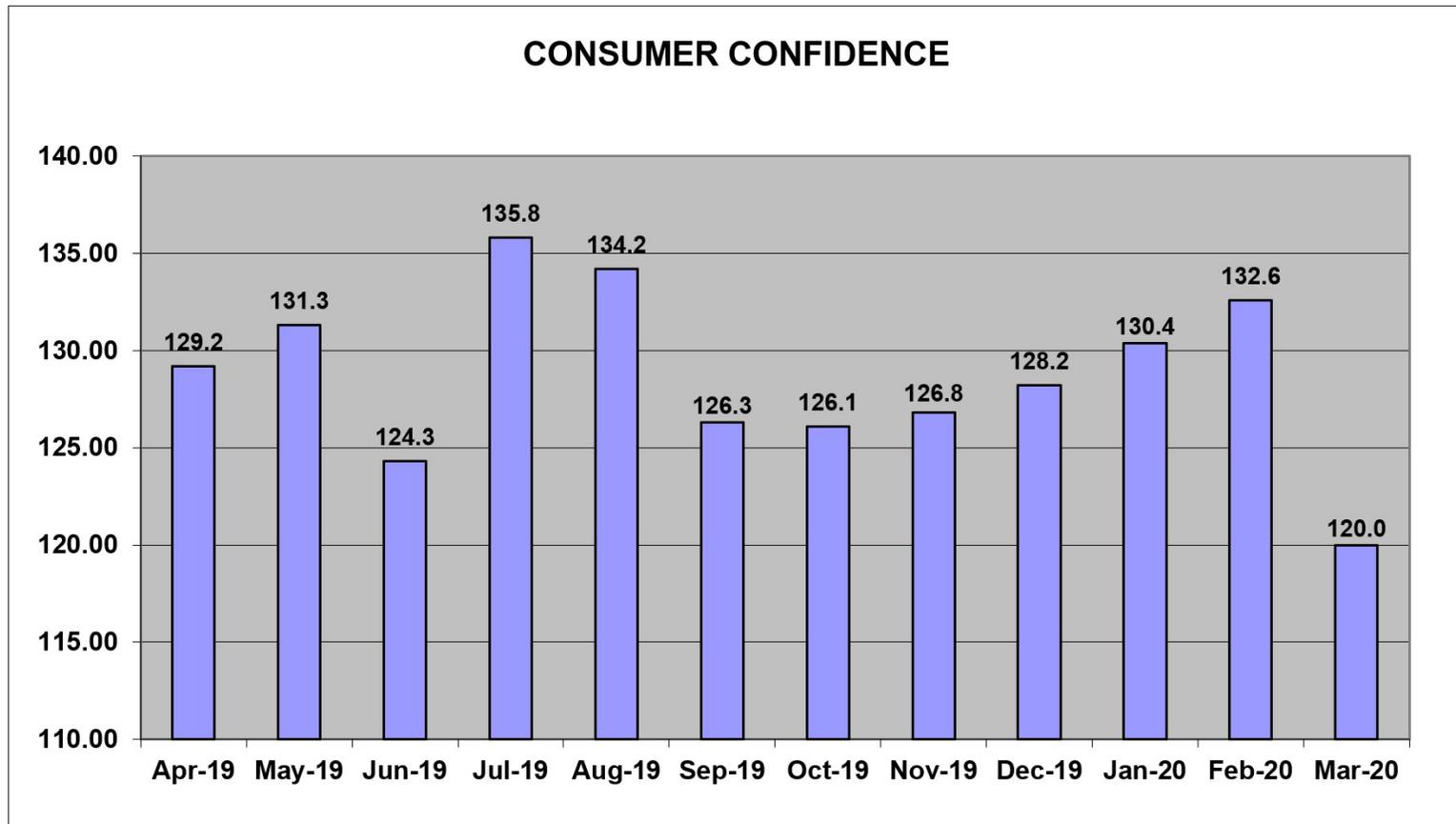
The Consumer Price Index (CPI) represents changes in prices of all goods and services purchased for consumption by urban households. CPI was 1.5% at the end of March. The Core CPI, which excludes food and energy, was 2.1% at the end of March.



Source: Bureau of Labor Statistics

## ECONOMIC TREND: Consumer Confidence

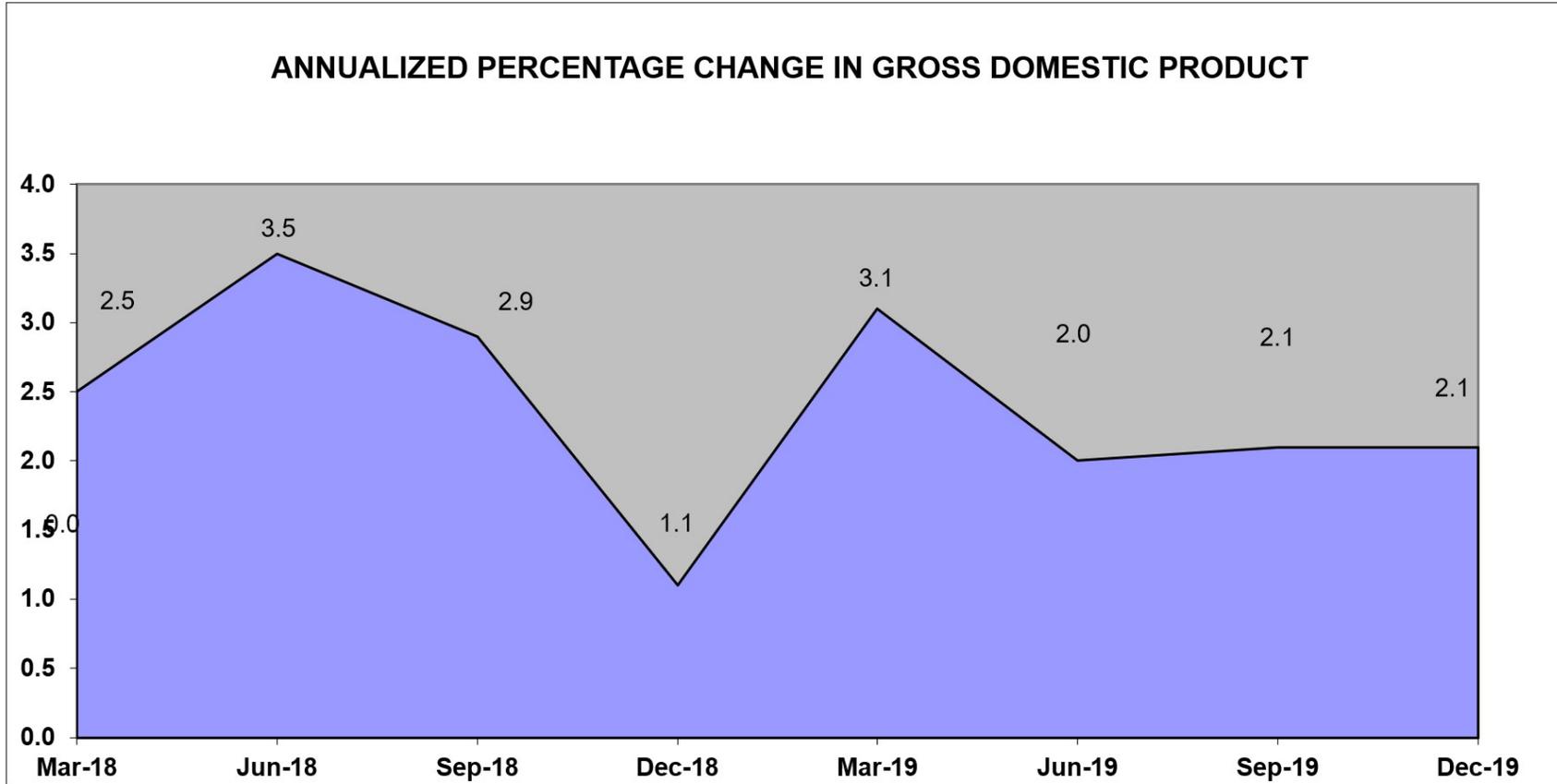
*Consumer Confidence is the average of responses to current business and employment conditions and responses to six-month future expectations for business conditions, employment conditions, and total family income. It began the quarter at 128.2 and ended at 120.0.*



Source: Conference Board

## ECONOMIC TREND: GDP (Gross Domestic Product)

*Gross domestic product is the value of all goods and services produced. For the most recent quarter ending December 31, 2019, the economy reported GDP at 2.1%.*



Source: Bureau of Economic Analysis

**Santa Barbara County Treasurer's Investment Pool  
Statement of Assets  
As of March 31, 2020**

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value* 03/31/2020	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value* 12/31/2019	Net Change
Cash	\$ 97,108,901	\$ -	\$ 97,108,901	5.54	1.27%	1	\$ 103,806,360	\$ (6,697,459)
JPMorgan Chase	5,000,000	-	5,000,000	0.29	0.050	1	-	5,000,000
California Asset Management Program (CAMP)	225,000,000	-	225,000,000	12.84	1.680	1	65,000,000	160,000,000
Local Agency Investment Fund (LAIF)	75,000,000	-	75,000,000	4.28	1.880	1	65,000,000	10,000,000
Federally Insured Cash Account (FICA)	50,000,000	-	50,000,000	2.85	1.340	1	25,000,000	25,000,000
U.S. Treasury Bills	44,481,599	511,351	44,992,950	2.57	1.675	72	104,623,450	(59,630,500)
U.S. Treasury Notes	192,936,719	4,059,031	196,995,750	11.25	1.813	359	224,144,650	(27,148,900)
Government Agency Bonds	338,271,634	5,387,614	343,659,248	19.62	1.751	445	381,155,646	(37,496,399)
Government Agency Discount Notes	237,572,535	2,361,115	239,933,650	13.70	1.581	101	302,861,300	(62,927,650)
Government Agency Bonds - Callable	470,608,590	3,368,413	473,977,004	27.06	1.936	1,242	549,543,958	(75,566,954)
<b>Total</b>	<u>\$ 1,735,979,978</u>	<u>\$ 15,687,525</u>	<u>\$ 1,751,667,503</u>	<u>100.00</u>	<u>1.737%</u>	<u>479</u>	<u>\$ 1,821,135,364</u>	<u>\$ (69,467,862)</u>

\*Provided by Union Bank

**Treasurer's Pool Earnings Summary:**

Total Net Earnings on the Treasurer's Pool**	\$ 6,853,099
Average Daily Balance on the Treasurer's Pool	\$ 1,726,002,754
Net Interest Rate on the Treasurer's Pool	1.597%

\*\*Total net earnings including earned interest, amortization and realized gains and losses on investments.

Asset Description	Cost	Net Unrealized Holding Gains/(Losses)	Fair Value 03/31/2020	Percent of Portfolio	Yield to Maturity	Weighted Average Days to Maturity	Fair Value 12/31/2019	Net Change
Cannabis Cash***	\$ 2,700,930	\$ -	\$ 2,700,930	100.00	1.27%	1	\$ 4,205,592	\$ (1,504,662)
<b>Total</b>	<u>\$ 2,700,930</u>	<u>\$ -</u>	<u>\$ 2,700,930</u>	<u>100.00</u>	<u>1.27%</u>	<u>1</u>	<u>\$ 4,205,592</u>	<u>\$ (1,504,662)</u>

\*\*\*Proceeds from Cannabis operations are segregated from the Investment Pool and do not receive Investment Pool interest apportionment.

# **Santa Barbara County Treasurer's Investment Pool**

## **Notes to the Statement of Assets**

**March 31, 2020**

### **Note 1 – Summary of Significant Accounting Policies**

#### ***The Financial Reporting Entity***

The Treasurer's Investment Pool Statement of Assets includes the cash balances of substantially all funds, which are invested by the County Treasurer. The Santa Barbara County Treasurer's Investment Pool (The Pool) is managed by the Treasurer on behalf of the Pool participants which includes the County, local school districts, and certain special districts who are required by State statutes to participate in the pool. Other municipal agencies may voluntarily participate in the pool.

#### ***Cash***

The cash balance on the Statement of Assets includes cash on deposit at the bank, deposits in-transit to the bank, and deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

#### ***Investments***

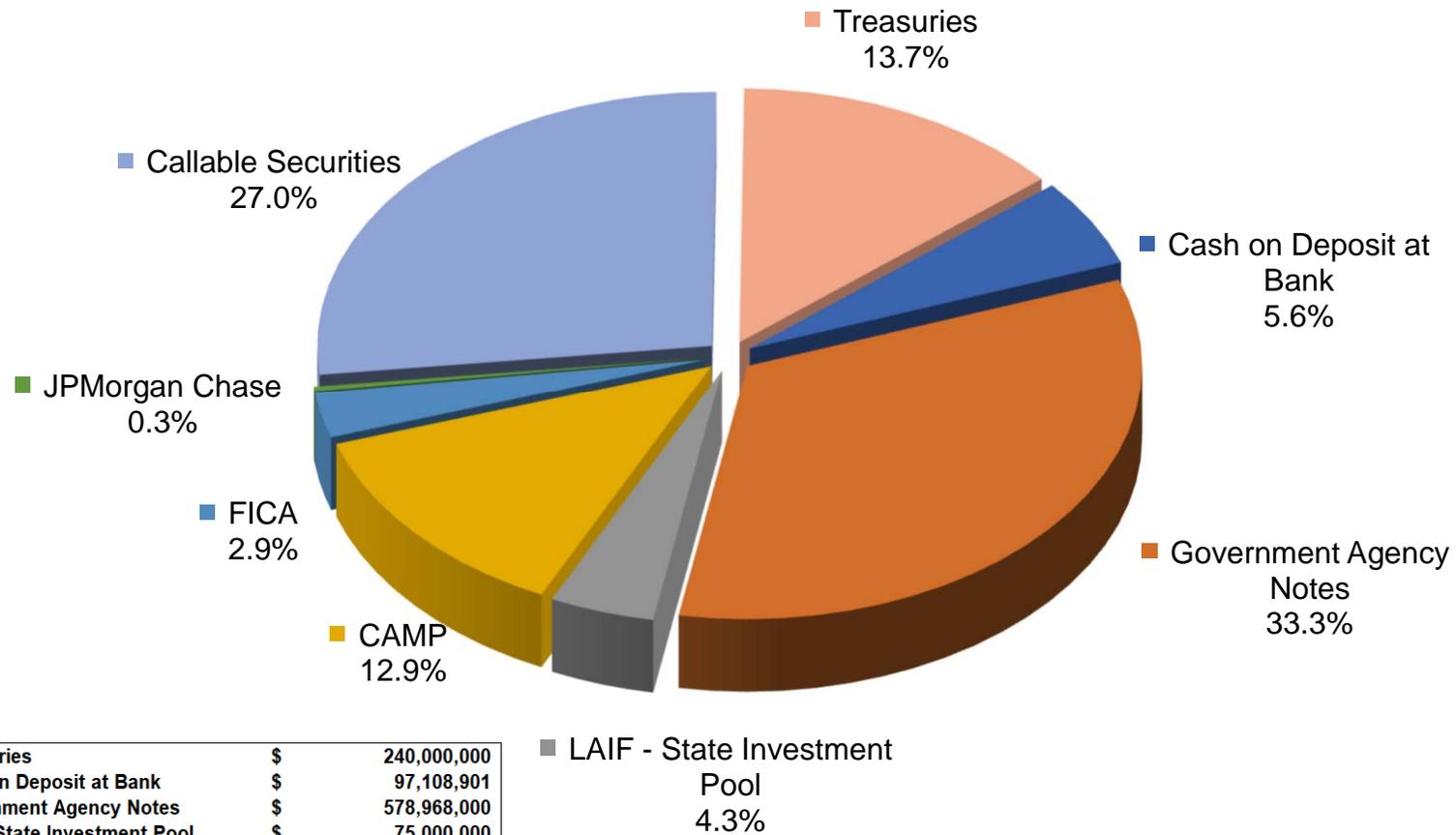
Pursuant to Section 53646 of the Government Code, the County Treasurer prepares an *Investment Policy Statement* annually and presents it to the Treasury Oversight Committee for review and the Board of Supervisors for approval.

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. The objectives of the Pool are primarily to safeguard investment principal, secondarily to maintain sufficient liquidity to meet cash flow needs, and lastly to attain a return on the funds. All investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and investment pools managed by a Joint Powers Authority.

#### ***Financial Statement Presentation***

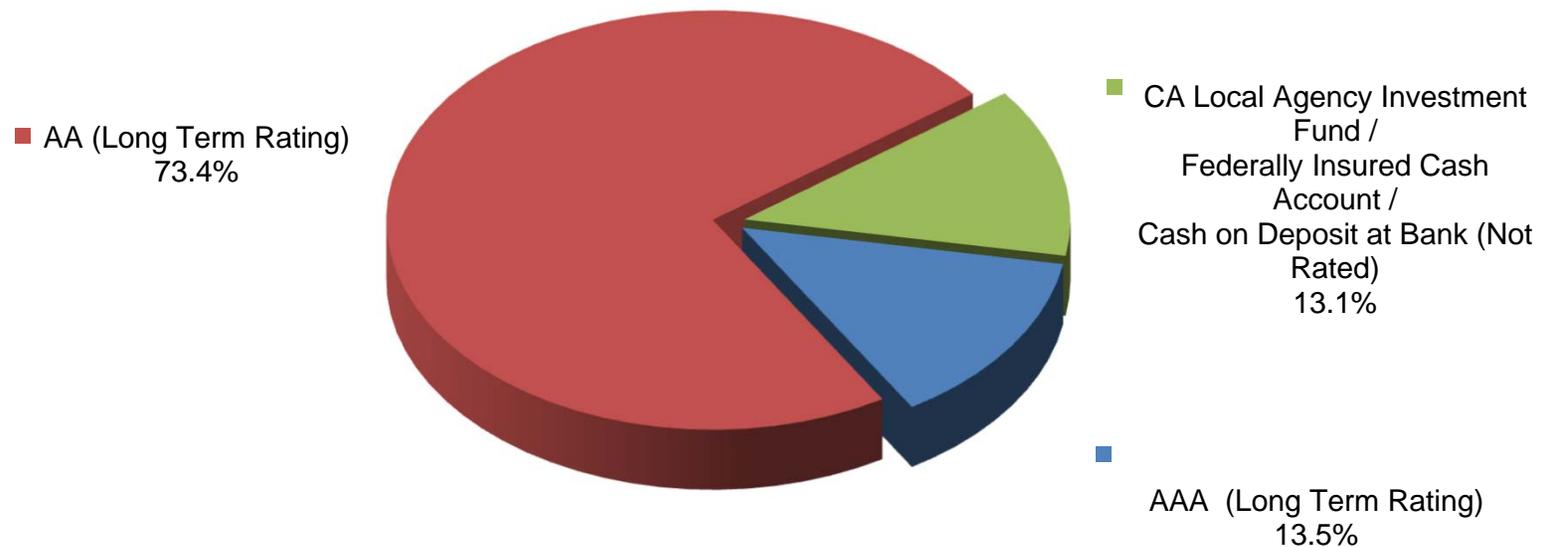
The accompanying special-purpose statement of assets was prepared on the modified cash basis of accounting and for the purpose of presenting the assets of the Treasury pursuant to the California Government Code Section 26920 and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, Treasury management has elected to omit certain note disclosures required by Governmental Accounting Standards Board statements since such disclosures are not required by the California Government Code Section 26920.

## TREASURER'S INVESTMENT POOL ASSET DISTRIBUTION BY SECTOR (PAR VALUE) 3/31/2020



Treasuries	\$	240,000,000
Cash on Deposit at Bank	\$	97,108,901
Government Agency Notes	\$	578,968,000
LAIF - State Investment Pool	\$	75,000,000
CAMP	\$	225,000,000
FICA	\$	50,000,000
JPMorgan Chase	\$	5,000,000
Callable Securities	\$	470,888,000
<b>TOTAL</b>	<b>\$</b>	<b>1,741,964,901</b>

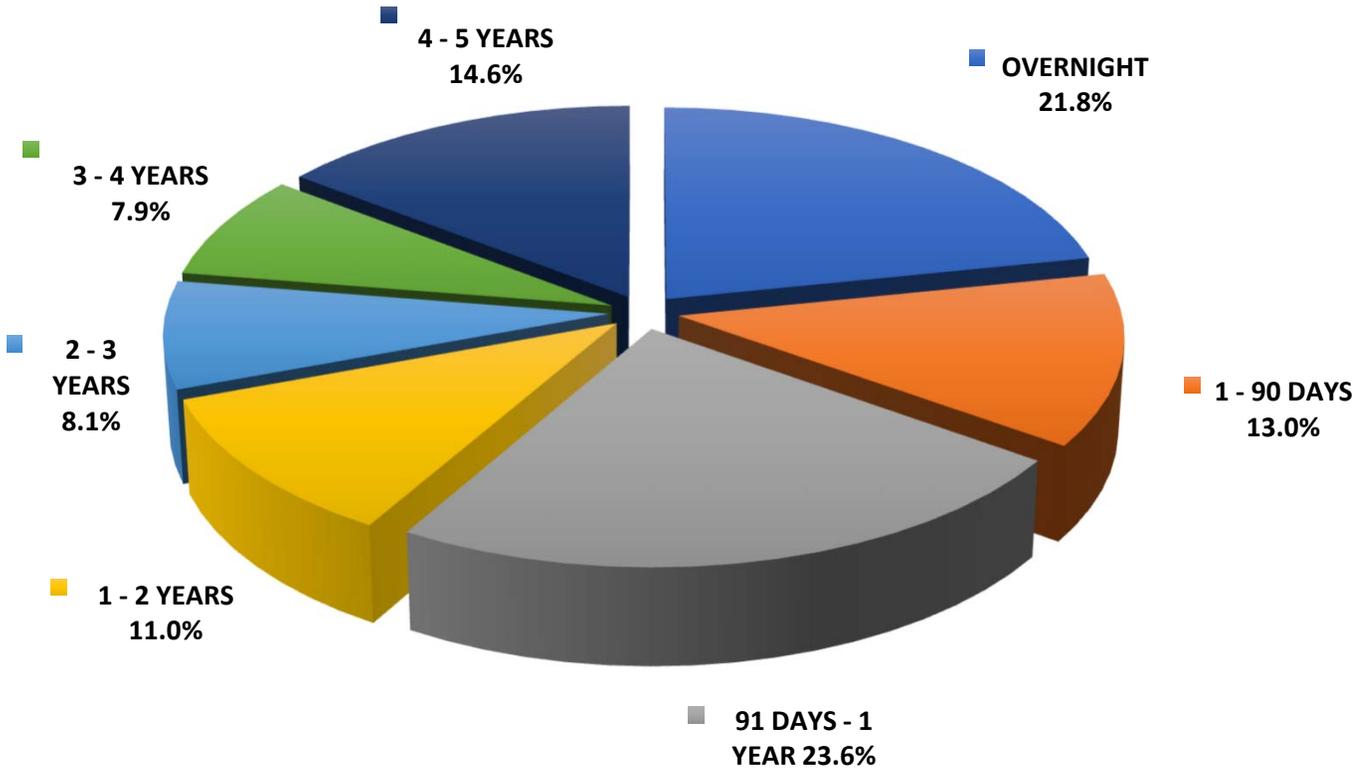
## S&P CREDIT RATING AT TIME OF PURCHASE BY PERCENT OF BOOK VALUE 3/31/2020



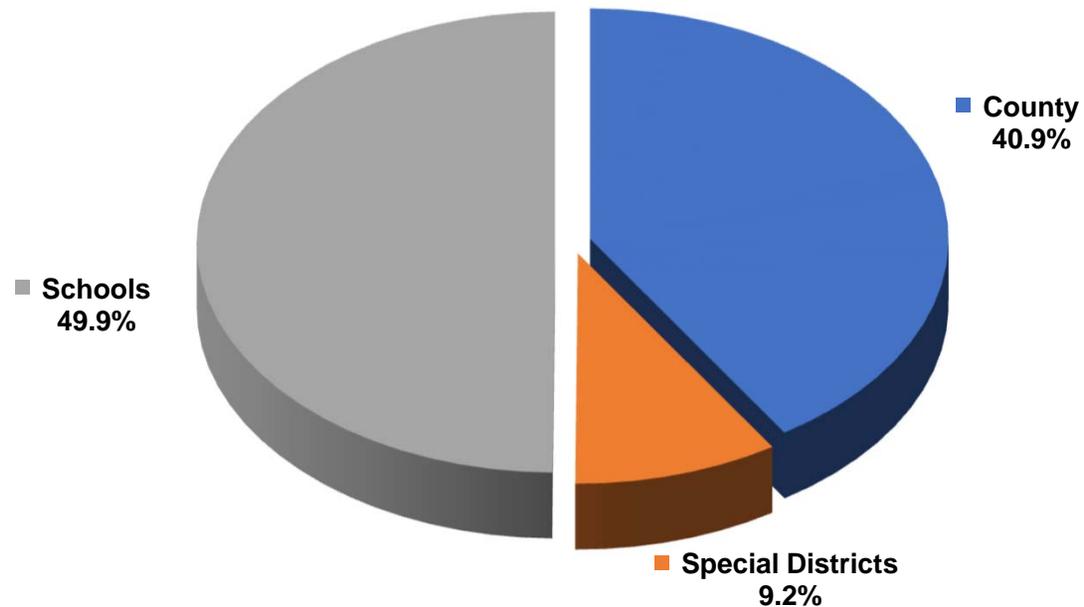
**Investment Policy Requirements:**

- US Treasuries: N/A
- Agency of the Federal Government/US Government Sponsored: N/A
- Commercial Paper of US Corporations, Assets Greater Than \$500 million: A1, P1, F1 (by two of the three rating agencies)
- State of California - LAIF/Managed Investment Pools: N/A
- Negotiable CD's: A1, P1, F1 (by two of the three rating agencies)
- Medium Term Notes/Corporate Notes of US Corporations: Up to three years: AA- by at least two of the three rating agencies. Greater than three years: AA by at least two of the three rating agencies.

**TREASURER'S INVESTMENT POOL  
MATURITY DISTRIBUTION  
3/31/2020**

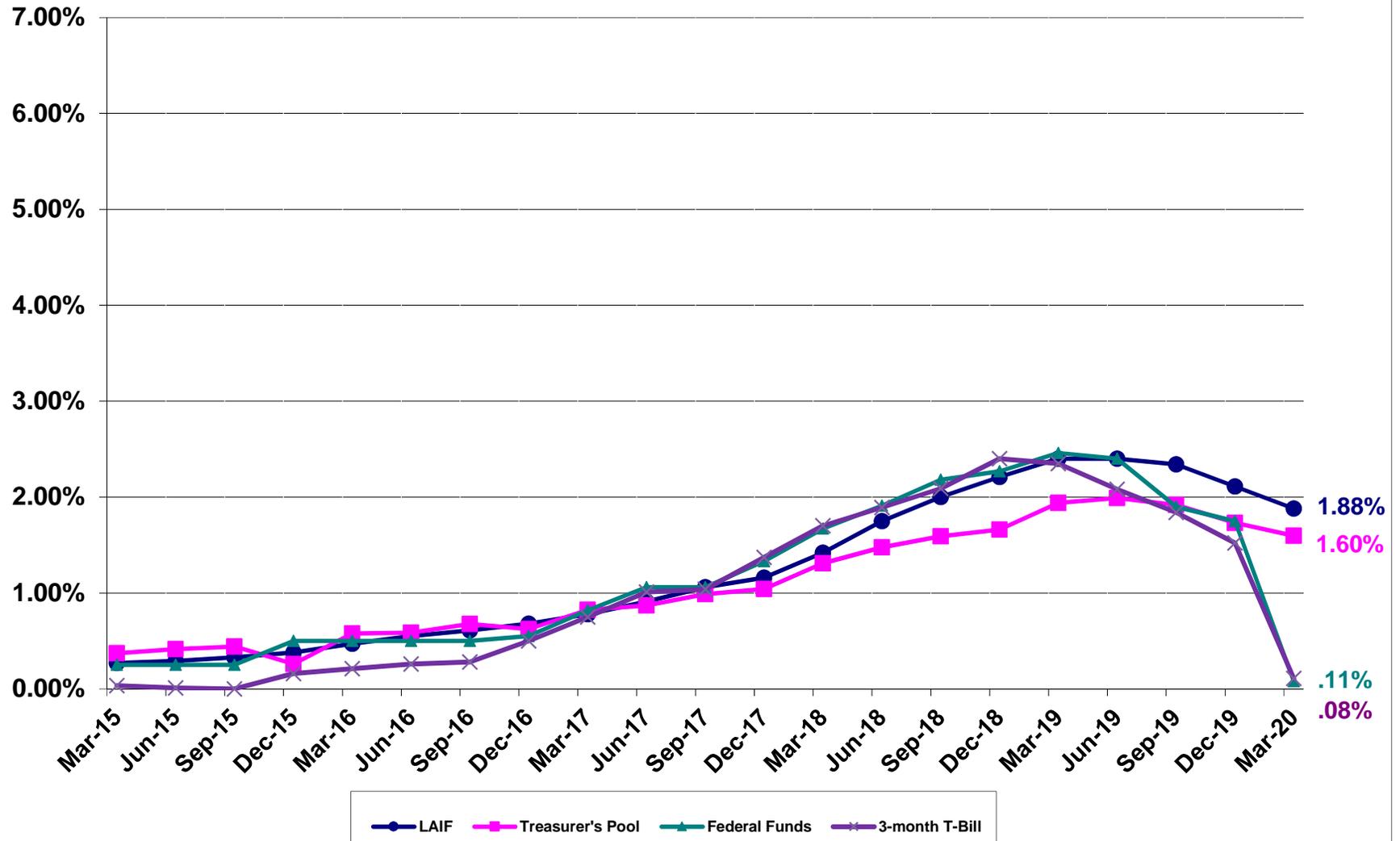


## TREASURER'S INVESTMENT POOL AVERAGE DAILY CASH BALANCE & INCOME DISTRIBUTION FOR THE QUARTER ENDED 3/31/2020



The average daily cash balance of all entities in the pool during the quarter was \$1,726,002,754. Aggregate interest earnings of \$6,853,099 was distributed to pool participants.

**TREASURER'S INVESTMENT POOL  
 QUARTERLY PERFORMANCE VERSUS SELECTED BENCHMARKS  
 3/31/2020**



**County Pool 2019-2020  
Portfolio Management  
Portfolio Details - Investments  
March 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
<b>BofA</b>												
SYS6995	6995	Bank of America Corp.		07/01/2019	97,108,901.00	97,108,901.00	97,108,901.00	1.270		1.270	1	
<b>Subtotal and Average</b>			<b>1,067,130.78</b>		<b>97,108,901.00</b>	<b>97,108,901.00</b>	<b>97,108,901.00</b>			<b>1.270</b>	<b>1</b>	
<b>Chase</b>												
SYS7075	7075	CHASE		02/14/2020	5,000,000.00	5,000,000.00	5,000,000.00	0.500		0.500	1	
<b>Subtotal and Average</b>			<b>19,890,109.89</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>			<b>0.500</b>	<b>1</b>	
<b>FICA</b>												
SYS6255	6255	FICA			50,000,000.00	50,000,000.00	50,000,000.00	1.340		1.340	1	
<b>Subtotal and Average</b>			<b>25,549,450.55</b>		<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>			<b>1.340</b>	<b>1</b>	
<b>CAMP</b>												
SYS5272	5272	CAMP			225,000,000.00	225,000,000.00	225,000,000.00	1.680	AAA	1.680	1	
<b>Subtotal and Average</b>			<b>53,901,098.90</b>		<b>225,000,000.00</b>	<b>225,000,000.00</b>	<b>225,000,000.00</b>			<b>1.680</b>	<b>1</b>	
<b>Local Agency Investment Funds</b>												
SYS1009	1009	LAIF			75,000,000.00	75,000,000.00	75,000,000.00	1.880		1.880	1	
<b>Subtotal and Average</b>			<b>67,857,142.86</b>		<b>75,000,000.00</b>	<b>75,000,000.00</b>	<b>75,000,000.00</b>			<b>1.880</b>	<b>1</b>	
<b>Federal Agency Coupon Securities</b>												
3133EHHB2	6355	Federal Farm Credit Bank		04/27/2017	5,000,000.00	5,004,050.00	4,999,783.33	1.450	AA	1.512	26	04/27/2020
3133EHKH5	6392	Federal Farm Credit Bank		05/23/2017	5,000,000.00	5,023,650.00	4,999,744.56	1.570	AA	1.587	113	07/23/2020
3133EHVX8	6517	Federal Farm Credit Bank		09/18/2017	5,000,000.00	5,030,200.00	4,998,632.29	1.500	AA	1.571	145	08/24/2020
3133EHZA4	6523	Federal Farm Credit Bank		09/20/2017	5,000,000.00	5,092,750.00	4,994,122.22	1.660	AA	1.743	537	09/20/2021
3133EHJ95	6574	Federal Farm Credit Bank		10/26/2017	5,000,000.00	5,042,900.00	4,999,810.19	1.750	AA	1.757	208	10/26/2020
3133EJAD1	6641	Federal Farm Credit Bank		01/23/2018	5,000,000.00	5,069,100.00	4,998,602.67	2.150	AA	2.190	266	12/23/2020
3133EJXV6	6718	Federal Farm Credit Bank		08/28/2018	5,000,000.00	5,104,200.00	4,998,434.97	2.700	AA	2.736	328	02/23/2021
3133EE5Z9	6833	Federal Farm Credit Bank		03/28/2019	5,528,000.00	5,560,946.88	5,516,807.51	1.750	AA	2.355	125	08/04/2020
3133EKZK5	6920	Federal Farm Credit Bank		08/14/2019	10,000,000.00	10,348,700.00	9,993,682.29	1.600	AA	1.619	1,230	08/14/2023
3133EKZV1	6922	Federal Farm Credit Bank		08/16/2019	5,000,000.00	5,068,500.00	4,989,893.75	1.550	AA	1.700	502	08/16/2021
3133EKA63	6923	Federal Farm Credit Bank		08/16/2019	5,000,000.00	5,210,400.00	4,993,306.25	1.600	AA	1.632	1,598	08/16/2024
3133EKM45	6935	Federal Farm Credit Bank		09/09/2019	5,000,000.00	5,108,250.00	4,995,490.95	1.500	AA	1.538	888	09/06/2022
3133EKZY5	6939	Federal Farm Credit Bank		09/12/2019	5,000,000.00	5,104,650.00	4,987,411.64	1.550	AA	1.670	791	06/01/2022
3133EKY91	6965	Federal Farm Credit Bank		10/11/2019	5,000,000.00	5,059,150.00	4,990,984.26	1.375	AA	1.448	923	10/11/2022
3133EK4X1	6975	Federal Farm Credit Bank		11/01/2019	5,000,000.00	5,174,650.00	4,987,727.08	1.600	AA	1.671	1,309	11/01/2023
3133EK4X1	6978	Federal Farm Credit Bank		11/04/2019	5,000,000.00	5,174,650.00	4,993,716.08	1.600	AA	1.636	1,309	11/01/2023
3133EK6J0	6988	Federal Farm Credit Bank		11/08/2019	5,000,000.00	5,226,500.00	4,987,894.69	1.625	AA	1.680	1,682	11/08/2024
3133EK7A8	6992	Federal Farm Credit Bank		11/13/2019	10,000,000.00	10,139,100.00	9,994,491.11	1.625	AA	1.675	407	05/13/2021

Portfolio SB99  
AP  
PM (PRF\_PM2) 7.3.0

**County Pool 2019-2020  
Portfolio Management  
Portfolio Details - Investments  
March 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
<b>Federal Agency Coupon Securities</b>												
3133ELCP7	7009	Federal Farm Credit Bank		12/03/2019	5,000,000.00	5,229,550.00	4,993,085.11	1.625	AA	1.656	1,707	12/03/2024
3133ELCS1	7023	Federal Farm Credit Bank		12/11/2019	5,000,000.00	5,182,450.00	4,988,398.69	1.550	AA	1.611	1,440	03/11/2024
3133ELDU5	7028	Federal Farm Credit Bank		12/13/2019	5,000,000.00	5,096,750.00	4,994,347.50	1.580	AA	1.648	621	12/13/2021
3133ELFJ8	7056	Federal Farm Credit Bank		12/30/2019	10,000,000.00	10,102,200.00	10,000,000.00	1.625	AA	1.625	273	12/30/2020
3130AANA2	6240	Federal Home Loan Bank		01/30/2017	5,000,000.00	5,024,750.00	5,000,000.00	1.750	AA	1.750	120	07/30/2020
3130AB3T1	6342	Federal Home Loan Bank		04/24/2017	5,000,000.00	5,023,450.00	5,000,000.00	1.750	AA	1.750	114	07/24/2020
3130ABVU7	6469	Federal Home Loan Bank		07/27/2017	5,000,000.00	5,022,100.00	5,000,000.00	1.625	AA	1.625	117	07/27/2020
3130A66T9	6526	Federal Home Loan Bank		09/21/2017	5,000,000.00	5,033,250.00	5,000,000.00	1.625	AA	1.625	163	09/11/2020
3130ACHQ0	6570	Federal Home Loan Bank		10/19/2017	5,000,000.00	5,039,400.00	4,999,266.67	1.750	AA	1.778	201	10/19/2020
3130ACN83	6578	Federal Home Loan Bank		10/30/2017	5,000,000.00	5,008,300.00	4,999,855.74	1.700	AA	1.724	44	05/15/2020
3130ACUK8	6587	Federal Home Loan Bank		11/28/2017	5,000,000.00	5,097,900.00	5,000,000.00	2.000	AA	2.000	422	05/28/2021
3130ABY34	6588	Federal Home Loan Bank		11/29/2017	5,000,000.00	5,010,000.00	4,998,150.44	1.613	AA	1.849	58	05/29/2020
3130ACN83	6621	Federal Home Loan Bank		12/19/2017	5,000,000.00	5,008,300.00	4,998,526.56	1.700	AA	1.947	44	05/15/2020
3130AGWK7	6926	Federal Home Loan Bank		08/20/2019	5,000,000.00	5,211,850.00	4,998,246.24	1.500	AA	1.508	1,597	08/15/2024
313382K69	6943	Federal Home Loan Bank		09/16/2019	5,000,000.00	5,068,500.00	4,994,337.87	1.750	AA	1.872	345	03/12/2021
3130AHB85	6960	Federal Home Loan Bank		10/07/2019	5,000,000.00	5,033,550.00	4,999,612.50	1.625	AA	1.640	189	10/07/2020
3130AHB85	6962	Federal Home Loan Bank		10/08/2019	10,000,000.00	10,067,100.00	10,000,000.00	1.625	AA	1.625	189	10/07/2020
3130ACE26	6969	Federal Home Loan Bank		10/18/2019	5,000,000.00	5,027,100.00	4,993,674.85	1.375	AA	1.635	180	09/28/2020
3130AHJY0	6987	Federal Home Loan Bank		11/08/2019	3,000,000.00	3,058,590.00	2,995,873.54	1.625	AA	1.711	597	11/19/2021
3134G8WH8	6070	Federal Home Loan Mortgage Co.		04/27/2016	5,250,000.00	5,253,570.00	5,250,000.00	1.400	AA	1.400	26	04/27/2020
3134G9BA4	6074	Federal Home Loan Mortgage Co.		04/28/2016	4,250,000.00	4,263,175.00	4,250,000.00	1.370	AA	1.370	118	07/28/2020
3134GA3Q5	6248	Federal Home Loan Mortgage Co.		02/28/2017	1,840,000.00	1,897,500.00	1,840,000.00	2.050	AA	2.050	698	02/28/2022
3134GBAG7	6297	Federal Home Loan Mortgage Co.		04/11/2017	5,000,000.00	5,015,950.00	5,000,000.00	1.750	AA	1.750	89	06/29/2020
3134GBFV9	6354	Federal Home Loan Mortgage Co.		04/27/2017	5,000,000.00	5,006,850.00	5,000,000.00	2.250	AA	1.917	26	04/27/2020
3134GBJF0	6357	Federal Home Loan Mortgage Co.		04/27/2017	5,000,000.00	5,090,500.00	5,000,000.00	1.800	AA	1.800	482	07/27/2021
3134GBUG5	6464	Federal Home Loan Mortgage Co.		07/21/2017	5,000,000.00	5,014,500.00	4,999,688.09	1.625	AA	1.651	89	06/29/2020
3134GBB35	6477	Federal Home Loan Mortgage Co.		08/10/2017	5,000,000.00	5,022,950.00	5,000,000.00	1.700	AA	1.700	131	08/10/2020
3134GBN32	6556	Federal Home Loan Mortgage Co.		09/28/2017	4,100,000.00	4,121,566.00	4,099,664.03	1.700	AA	1.717	180	09/28/2020
3134GBF64	6557	Federal Home Loan Mortgage Co.		09/28/2017	5,000,000.00	5,023,850.00	5,000,000.00	1.600	AA	1.600	180	09/28/2020
3134GBN40	6562	Federal Home Loan Mortgage Co.		09/29/2017	5,000,000.00	5,014,650.00	5,000,000.00	1.625	AA	1.625	89	06/29/2020
3134GBP89	6575	Federal Home Loan Mortgage Co.		10/26/2017	5,000,000.00	5,074,900.00	5,000,000.00	1.850	AA	1.850	390	04/26/2021
3134GBU83	6577	Federal Home Loan Mortgage Co.		10/30/2017	5,000,000.00	5,123,150.00	5,000,000.00	2.000	AA	2.000	576	10/29/2021
3134GBP55	6622	Federal Home Loan Mortgage Co.		12/20/2017	5,000,000.00	5,165,400.00	4,978,354.09	2.000	AA	2.220	755	04/26/2022
3137EAEJ4	6625	Federal Home Loan Mortgage Co.		12/22/2017	5,000,000.00	5,027,350.00	4,990,537.61	1.625	AA	2.020	181	09/29/2020
3134GSAC9	6627	Federal Home Loan Mortgage Co.		12/28/2017	5,000,000.00	5,056,800.00	5,000,000.00	2.050	AA	2.050	271	12/28/2020
3134GSET8	6663	Federal Home Loan Mortgage Co.		02/27/2018	5,000,000.00	5,144,200.00	5,000,000.00	2.500	AA	2.500	513	08/27/2021
3137EAEC9	6924	Federal Home Loan Mortgage Co.		08/16/2019	10,000,000.00	10,102,700.00	9,945,662.07	1.125	AA	1.531	498	08/12/2021
3136G3U86	6143	Federal Nat'l Mtg. Assoc.		08/25/2016	5,000,000.00	5,021,050.00	5,000,000.00	1.300	AA	1.300	146	08/25/2020

**County Pool 2019-2020  
Portfolio Management  
Portfolio Details - Investments  
March 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
<b>Federal Agency Coupon Securities</b>												
3135G0J20	6190	Federal Nat'l Mtg. Assoc.		12/09/2016	5,000,000.00	5,047,500.00	4,983,525.05	1.375	AA	1.755	331	02/26/2021
3135G0T60	6496	Federal Nat'l Mtg. Assoc.		08/29/2017	5,000,000.00	5,021,700.00	4,999,773.55	1.500	AA	1.514	120	07/30/2020
3135G0T60	6603	Federal Nat'l Mtg. Assoc.		12/11/2017	5,000,000.00	5,021,700.00	4,992,852.48	1.500	AA	1.945	120	07/30/2020
3136G4RH8	6644	Federal Nat'l Mtg. Assoc.		01/30/2018	5,000,000.00	5,070,000.00	4,999,106.78	2.200	AA	2.223	301	01/27/2021
3135G0W33	6934	Federal Nat'l Mtg. Assoc.		09/06/2019	5,000,000.00	5,120,500.00	4,984,484.95	1.375	AA	1.506	888	09/06/2022
3135G0D75	6954	Federal Nat'l Mtg. Assoc.		10/01/2019	10,000,000.00	10,028,100.00	9,992,303.45	1.500	AA	1.845	82	06/22/2020
3135G0T60	6955	Federal Nat'l Mtg. Assoc.		10/01/2019	5,000,000.00	5,021,700.00	4,994,617.70	1.500	AA	1.829	120	07/30/2020
<b>Subtotal and Average</b>			<b>355,227,624.28</b>		<b>338,968,000.00</b>	<b>343,659,247.88</b>	<b>338,674,481.40</b>			<b>1.751</b>	<b>445</b>	
<b>Federal Agency Disc. -Amortizing</b>												
313312ZS2	6946	FC Discount Note		09/20/2019	10,000,000.00	9,997,200.00	9,941,511.11	1.880	AA	1.930	112	07/22/2020
313312M56	7042	FC Discount Note		12/18/2019	10,000,000.00	9,991,800.00	9,906,222.23	1.600	AA	1.640	211	10/29/2020
313312A67	7063	FC Discount Note		12/31/2019	5,000,000.00	4,998,100.00	4,972,961.11	1.570	AA	1.605	124	08/03/2020
313312XY1	6981	Fed Farm Crd Discount Note		11/06/2019	10,000,000.00	9,998,600.00	9,969,861.11	1.550	AA	1.584	70	06/10/2020
313384YP8	6972	FHLB Disc Corp		10/30/2019	10,000,000.00	9,998,400.00	9,963,875.00	1.530	AA	1.564	85	06/25/2020
313384WG0	6979	FHLB Disc Corp		11/04/2019	10,000,000.00	9,999,400.00	9,987,250.00	1.530	AA	1.563	30	05/01/2020
313384ZD4	6996	FHLB Disc Corp		11/15/2019	10,000,000.00	9,997,500.00	9,957,925.00	1.530	AA	1.564	99	07/09/2020
313384VR7	7025	FHLB Disc Corp		12/12/2019	10,000,000.00	9,999,700.00	9,993,541.67	1.550	AA	1.580	15	04/16/2020
313384XT1	7036	FHLB Disc Corp		12/17/2019	10,000,000.00	9,998,700.00	9,971,923.61	1.555	AA	1.588	65	06/05/2020
313384YA1	7037	FHLB Disc Corp		12/17/2019	10,000,000.00	9,998,600.00	9,968,900.00	1.555	AA	1.589	72	06/12/2020
313384ZE2	7038	FHLB Disc Corp		12/17/2019	10,000,000.00	9,997,500.00	9,957,500.00	1.530	AA	1.564	100	07/10/2020
313384YU7	7054	FHLB Disc Corp		12/27/2019	10,000,000.00	9,998,300.00	9,961,750.00	1.530	AA	1.563	90	06/30/2020
313384YQ6	7041	Fed Home Ln Discount Nt		12/18/2019	10,000,000.00	9,998,300.00	9,963,450.00	1.530	AA	1.563	86	06/26/2020
313396XL2	6967	Freddie Discount		10/17/2019	10,000,000.00	9,998,900.00	9,975,350.00	1.530	AA	1.564	58	05/29/2020
313396XK4	6968	Freddie Discount		10/17/2019	10,000,000.00	9,998,900.00	9,975,775.00	1.530	AA	1.564	57	05/28/2020
313396YV9	6980	Freddie Discount		11/05/2019	10,000,000.00	9,997,700.00	9,962,841.67	1.470	AA	1.502	91	07/01/2020
313396A94	6982	Freddie Discount		11/06/2019	10,000,000.00	9,996,100.00	9,947,083.33	1.500	AA	1.534	127	08/06/2020
313396C76	6985	Freddie Discount		11/07/2019	10,000,000.00	9,995,700.00	9,940,858.33	1.510	AA	1.545	141	08/20/2020
313396C84	6989	Freddie Discount		11/08/2019	10,000,000.00	9,995,700.00	9,939,650.00	1.530	AA	1.566	142	08/21/2020
313396B28	6990	Freddie Discount		11/12/2019	10,000,000.00	9,996,100.00	9,945,600.00	1.530	AA	1.565	128	08/07/2020
313396ZA4	6993	Freddie Discount		11/13/2019	10,000,000.00	9,997,600.00	9,959,200.00	1.530	AA	1.564	96	07/06/2020
313396A37	6997	Freddie Discount		11/15/2019	10,000,000.00	9,997,000.00	9,948,575.00	1.530	AA	1.565	121	07/31/2020
313396G31	7003	Freddie Discount		11/25/2019	10,000,000.00	9,993,900.00	9,929,113.89	1.510	AA	1.546	169	09/17/2020
313396A37	7008	Freddie Discount		12/02/2019	10,000,000.00	9,997,000.00	9,948,575.00	1.530	AA	1.564	121	07/31/2020
313396G49	7032	Freddie Discount		12/16/2019	5,000,000.00	4,996,950.00	4,964,111.11	1.520	AA	1.555	170	09/18/2020
<b>Subtotal and Average</b>			<b>275,357,340.97</b>		<b>240,000,000.00</b>	<b>239,933,650.00</b>	<b>238,953,404.17</b>			<b>1.581</b>	<b>101</b>	

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
<b>Treasury Coupon Securities</b>												
912828L65	6167	U.S. Treasury		11/18/2016	5,000,000.00	5,032,800.00	4,995,367.83	1.375	AA	1.567	182	09/30/2020
912828L65	6168	U.S. Treasury		11/18/2016	5,000,000.00	5,032,800.00	4,995,367.83	1.375	AA	1.567	182	09/30/2020
912828XE5	6192	U.S. Treasury		12/09/2016	5,000,000.00	5,011,550.00	4,999,704.49	1.500	AA	1.537	60	05/31/2020
912828S27	6216	U.S. Treasury		12/23/2016	10,000,000.00	10,127,300.00	9,897,021.78	1.125	AA	1.993	455	06/30/2021
912828XH8	6217	U.S. Treasury		12/23/2016	5,000,000.00	5,018,950.00	4,998,960.36	1.625	AA	1.712	90	06/30/2020
912828R77	6284	U.S. Treasury		04/06/2017	5,000,000.00	5,074,600.00	4,977,441.15	1.375	AA	1.779	425	05/31/2021
912828T34	6590	U.S. Treasury		11/29/2017	5,000,000.00	5,068,750.00	4,939,528.27	1.125	AA	1.967	547	09/30/2021
912828T67	6591	U.S. Treasury		11/29/2017	5,000,000.00	5,083,600.00	4,947,023.39	1.250	AA	1.949	578	10/31/2021
912828S76	6592	U.S. Treasury		11/29/2017	5,000,000.00	5,063,650.00	4,947,297.11	1.125	AA	1.949	486	07/31/2021
912828L32	6600	U.S. Treasury		12/08/2017	5,000,000.00	5,026,550.00	4,989,726.99	1.375	AA	1.884	152	08/31/2020
912828XM7	6604	U.S. Treasury		12/11/2017	5,000,000.00	5,025,000.00	4,995,975.31	1.625	AA	1.875	121	07/31/2020
912828VP2	6695	U.S. Treasury		04/12/2018	5,000,000.00	5,033,600.00	4,993,874.02	2.000	AA	2.381	121	07/31/2020
912828J8	6859	U.S. Treasury		04/22/2019	5,000,000.00	5,021,100.00	4,987,057.29	1.500	AA	2.418	105	07/15/2020
912828L32	6860	U.S. Treasury		04/22/2019	5,000,000.00	5,026,550.00	4,978,914.11	1.375	AA	2.414	152	08/31/2020
912828V1	6861	U.S. Treasury		04/22/2019	5,000,000.00	5,029,100.00	4,977,066.04	1.375	AA	2.404	167	09/15/2020
912828XM7	6944	U.S. Treasury		09/17/2019	5,000,000.00	5,025,000.00	4,995,763.93	1.625	AA	1.884	121	07/31/2020
912828X96	6951	U.S. Treasury		09/30/2019	10,000,000.00	10,017,000.00	9,996,381.58	1.500	AA	1.802	44	05/15/2020
912828XU9	6952	U.S. Treasury		09/30/2019	10,000,000.00	10,028,900.00	9,993,439.31	1.500	AA	1.823	75	06/15/2020
912828XE5	6957	U.S. Treasury		10/02/2019	10,000,000.00	10,023,100.00	9,996,513.43	1.500	AA	1.714	60	05/31/2020
912828J8	6958	U.S. Treasury		10/03/2019	10,000,000.00	10,042,200.00	9,993,259.67	1.500	AA	1.736	105	07/15/2020
912828XM7	6959	U.S. Treasury		10/04/2019	10,000,000.00	10,050,000.00	9,998,115.66	1.625	AA	1.682	121	07/31/2020
912828J8	6961	U.S. Treasury		10/07/2019	5,000,000.00	5,021,100.00	4,997,963.76	1.500	AA	1.642	105	07/15/2020
912828YE4	6970	U.S. Treasury		10/29/2019	5,000,000.00	5,197,450.00	4,915,181.79	1.250	AA	1.651	1,613	08/31/2024
912828F6	7001	U.S. Treasury		11/22/2019	10,000,000.00	10,132,800.00	9,927,695.79	1.125	AA	1.646	517	08/31/2021
912828S76	7014	U.S. Treasury		12/05/2019	10,000,000.00	10,127,300.00	9,934,623.34	1.125	AA	1.624	486	07/31/2021
912828F6	7027	U.S. Treasury		12/12/2019	10,000,000.00	10,132,800.00	9,919,926.23	1.125	AA	1.702	517	08/31/2021
912828YE4	7039	U.S. Treasury		12/18/2019	10,000,000.00	10,394,900.00	9,793,519.22	1.250	AA	1.739	1,613	08/31/2024
912828S27	7053	U.S. Treasury		12/27/2019	10,000,000.00	10,127,300.00	9,941,292.82	1.125	AA	1.603	455	06/30/2021
<b>Subtotal and Average</b>			<b>210,231,172.53</b>		<b>195,000,000.00</b>	<b>196,995,750.00</b>	<b>194,024,002.50</b>			<b>1.813</b>	<b>359</b>	
<b>Treasury Discounts -Amortizing</b>												
912796TD1	6932	U.S. Treasury		08/30/2019	5,000,000.00	4,998,550.00	4,968,221.53	1.708	AA	1.753	134	08/13/2020
912796SV2	6937	U.S. Treasury		09/09/2019	5,000,000.00	4,999,000.00	4,981,366.67	1.720	AA	1.762	78	06/18/2020
912796SV2	6938	U.S. Treasury		09/10/2019	5,000,000.00	4,999,000.00	4,981,366.67	1.720	AA	1.762	78	06/18/2020
912796SZ3	6942	U.S. Treasury		09/13/2019	10,000,000.00	9,997,700.00	9,947,883.33	1.770	AA	1.815	106	07/16/2020
912796TS8	6976	U.S. Treasury		11/01/2019	10,000,000.00	9,999,600.00	9,987,956.94	1.495	AA	1.527	29	04/30/2020
912796TV1	6999	U.S. Treasury		11/20/2019	10,000,000.00	9,999,100.00	9,981,784.72	1.525	AA	1.558	43	05/14/2020
<b>Subtotal and Average</b>			<b>63,084,726.22</b>		<b>45,000,000.00</b>	<b>44,992,950.00</b>	<b>44,848,579.86</b>			<b>1.675</b>	<b>72</b>	

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
<b>Federal Agency Coupon - Callables</b>												
3133EKR3	6903	Federal Farm Credit Bank		06/21/2019	5,000,000.00	5,088,450.00	5,000,000.00	2.220	AA	2.220	1,542	06/21/2024
3133EKTA4	6906	Federal Farm Credit Bank		07/01/2019	5,000,000.00	5,020,400.00	5,000,000.00	2.090	AA	2.090	821	07/01/2022
3133EKVP8	6910	Federal Farm Credit Bank		07/22/2019	5,000,000.00	5,021,800.00	5,000,000.00	2.110	AA	2.110	842	07/22/2022
3133EKZN9	6919	Federal Farm Credit Bank		08/13/2019	5,000,000.00	5,018,950.00	5,000,000.00	2.060	AA	2.060	1,595	08/13/2024
3133EKC20	6925	Federal Farm Credit Bank		08/19/2019	5,000,000.00	5,016,400.00	5,000,000.00	1.820	AA	1.820	870	08/19/2022
3133EKF27	6931	Federal Farm Credit Bank		08/28/2019	10,000,000.00	10,049,200.00	9,997,673.01	1.850	AA	1.860	877	08/26/2022
3133EKQ90	6948	Federal Farm Credit Bank		09/23/2019	5,000,000.00	5,026,700.00	5,000,000.00	2.000	AA	2.000	905	09/23/2022
3133ELAN4	7000	Federal Farm Credit Bank		11/22/2019	5,912,000.00	6,032,486.56	5,912,000.00	1.680	AA	1.680	1,330	11/22/2023
3133ELAU8	7002	Federal Farm Credit Bank		11/25/2019	5,000,000.00	5,019,150.00	5,000,000.00	1.710	AA	1.710	968	11/25/2022
3133ELBF0	7004	Federal Farm Credit Bank		11/27/2019	5,000,000.00	5,044,650.00	5,000,000.00	1.890	AA	1.890	1,701	11/27/2024
3133ELFF6	7052	Federal Farm Credit Bank		12/26/2019	5,000,000.00	5,000,800.00	5,000,000.00	1.900	AA	1.900	1,273	09/26/2023
3133ELET7	7061	Federal Farm Credit Bank		12/31/2019	5,000,000.00	5,012,000.00	4,999,084.27	1.780	AA	1.787	992	12/19/2022
3133ELGK4	7066	Federal Farm Credit Bank		01/09/2020	5,000,000.00	5,017,450.00	5,000,000.00	1.640	AA	1.641	373	04/09/2021
3130AGMK8	6905	Federal Home Loan Bank		06/28/2019	5,000,000.00	5,089,900.00	5,000,000.00	2.220	AA	2.220	1,549	06/28/2024
3130AHH71	6984	Federal Home Loan Bank		11/07/2019	4,640,000.00	4,703,660.80	4,640,000.00	1.850	AA	1.850	1,497	05/07/2024
3130AHN33	7010	Federal Home Loan Bank		12/04/2019	8,900,000.00	9,033,322.00	8,900,000.00	1.800	AA	1.800	1,708	12/04/2024
3130A94N8	7015	Federal Home Loan Bank		12/06/2019	10,000,000.00	10,015,100.00	9,998,371.57	1.700	AA	1.711	511	08/25/2021
3130AHNB5	7017	Federal Home Loan Bank		12/09/2019	5,000,000.00	5,027,350.00	5,000,000.00	1.900	AA	1.900	1,622	09/09/2024
3130AHNB5	7018	Federal Home Loan Bank		12/09/2019	5,000,000.00	5,027,350.00	5,000,000.00	1.900	AA	1.900	1,622	09/09/2024
3130AHM67	7019	Federal Home Loan Bank		12/09/2019	5,000,000.00	5,001,300.00	5,000,000.00	1.700	AA	1.700	982	12/09/2022
3130AHPK3	7030	Federal Home Loan Bank		12/16/2019	5,000,000.00	5,014,150.00	5,000,000.00	1.875	AA	1.875	1,171	06/16/2023
3130AHPM9	7031	Federal Home Loan Bank		12/16/2019	5,000,000.00	5,014,100.00	5,000,000.00	2.050	AA	2.050	1,720	12/16/2024
3130AHP31	7035	Federal Home Loan Bank		12/16/2019	5,000,000.00	5,028,150.00	4,999,058.50	2.000	AA	2.004	1,715	12/11/2024
3130AHS06	7048	Federal Home Loan Bank		12/23/2019	5,000,000.00	5,015,800.00	5,000,000.00	2.050	AA	2.050	1,727	12/23/2024
3130AHU50	7057	Federal Home Loan Bank		12/30/2019	5,000,000.00	5,016,550.00	5,000,000.00	2.050	AA	2.050	1,734	12/30/2024
3130AHSC8	7059	Federal Home Loan Bank		12/30/2019	10,000,000.00	10,032,000.00	10,000,000.00	1.700	AA	1.700	638	12/30/2021
3134GTEW9	6840	Federal Home Loan Mortgage Co.		04/08/2019	5,000,000.00	5,002,050.00	5,000,000.00	2.500	AA	2.500	737	04/08/2022
3134GTFW8	6866	Federal Home Loan Mortgage Co.		04/24/2019	5,000,000.00	5,030,350.00	5,000,000.00	2.560	AA	2.561	1,209	07/24/2023
3134GTEW9	6888	Federal Home Loan Mortgage Co.		05/10/2019	5,571,000.00	5,573,284.11	5,571,000.00	2.500	AA	2.500	737	04/08/2022
3134GTNN9	6891	Federal Home Loan Mortgage Co.		05/22/2019	5,000,000.00	5,012,600.00	5,000,000.00	2.500	AA	2.500	1,146	05/22/2023
3134GTRA3	6896	Federal Home Loan Mortgage Co.		06/03/2019	5,000,000.00	5,014,000.00	5,000,000.00	2.375	AA	2.375	793	06/03/2022
3134GTRM7	6900	Federal Home Loan Mortgage Co.		06/11/2019	5,000,000.00	5,015,600.00	5,000,000.00	2.520	AA	2.520	1,532	06/11/2024
3134GTTY9	6901	Federal Home Loan Mortgage Co.		06/17/2019	10,000,000.00	10,030,900.00	10,000,000.00	2.330	AA	2.330	1,538	06/17/2024
3134GTUF8	6902	Federal Home Loan Mortgage Co.		06/19/2019	10,000,000.00	10,032,300.00	10,000,000.00	2.250	AA	2.250	1,174	06/19/2023
3134GTH71	6912	Federal Home Loan Mortgage Co.		07/25/2019	5,000,000.00	5,058,150.00	5,000,000.00	2.000	AA	2.000	1,210	07/25/2023
3134GTJ87	6913	Federal Home Loan Mortgage Co.		07/25/2019	5,000,000.00	5,022,250.00	5,000,000.00	2.230	AA	2.230	1,573	07/22/2024
3134GTJ61	6914	Federal Home Loan Mortgage Co.		07/26/2019	10,000,000.00	10,115,800.00	10,000,000.00	2.000	AA	2.000	1,211	07/26/2023
3134GT2A0	6921	Federal Home Loan Mortgage Co.		08/14/2019	5,000,000.00	5,008,350.00	4,992,353.47	2.000	AA	2.037	1,596	08/14/2024

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<b>Federal Agency Coupon - Callables</b>												
3134GT4D2	6928	Federal Home Loan Mortgage Co.		08/23/2019	10,000,000.00	10,151,200.00	10,000,000.00	1.670	AA	1.670	1,605	08/23/2024
3134GT6E8	6936	Federal Home Loan Mortgage Co.		09/09/2019	5,000,000.00	5,025,650.00	5,000,000.00	1.800	AA	1.800	1,622	09/09/2024
3134GUAF7	6940	Federal Home Loan Mortgage Co.		09/13/2019	5,000,000.00	5,026,150.00	4,997,775.31	2.000	AA	2.011	1,624	09/11/2024
3134GT7E7	6941	Federal Home Loan Mortgage Co.		09/13/2019	10,000,000.00	10,173,400.00	10,000,000.00	1.680	AA	1.680	1,626	09/13/2024
3134GUCU2	6947	Federal Home Loan Mortgage Co.		09/23/2019	10,000,000.00	10,027,600.00	10,000,000.00	2.000	AA	2.000	1,178	06/23/2023
3134GUDK3	6949	Federal Home Loan Mortgage Co.		09/25/2019	5,000,000.00	5,013,900.00	5,000,000.00	2.030	AA	2.030	1,272	09/25/2023
3134GUFC9	6956	Federal Home Loan Mortgage Co.		10/02/2019	6,665,000.00	6,709,388.90	6,665,000.00	2.000	AA	2.000	1,645	10/02/2024
3134GULJ7	6971	Federal Home Loan Mortgage Co.		10/30/2019	5,000,000.00	5,020,050.00	5,000,000.00	2.000	AA	2.000	1,581	07/30/2024
3134GUMG2	6974	Federal Home Loan Mortgage Co.		10/30/2019	5,000,000.00	5,022,450.00	5,000,000.00	2.000	AA	2.000	1,581	07/30/2024
3134GUPL8	6986	Federal Home Loan Mortgage Co.		11/08/2019	5,000,000.00	5,007,400.00	4,998,849.31	2.050	AA	2.055	1,682	11/08/2024
3134GUQM5	6991	Federal Home Loan Mortgage Co.		11/13/2019	10,000,000.00	10,134,100.00	10,000,000.00	1.830	AA	1.830	1,503	05/13/2024
3134GUSF8	6998	Federal Home Loan Mortgage Co.		11/19/2019	5,000,000.00	5,008,500.00	5,000,000.00	1.800	AA	1.800	778	05/19/2022
3134GUUM0	7005	Federal Home Loan Mortgage Co.		11/27/2019	5,000,000.00	5,009,150.00	4,988,361.11	1.750	AA	1.803	1,701	11/27/2024
3134GUTX8	7006	Federal Home Loan Mortgage Co.		11/27/2019	5,000,000.00	5,025,300.00	5,000,000.00	1.800	AA	1.800	1,244	08/28/2023
3134GUYH7	7021	Federal Home Loan Mortgage Co.		12/10/2019	7,500,000.00	7,518,825.00	7,500,000.00	1.630	AA	1.630	618	12/10/2021
3134GADT8	7022	Federal Home Loan Mortgage Co.		12/11/2019	5,000,000.00	5,011,350.00	4,994,342.79	1.620	AA	1.701	519	09/02/2021
3134GUZB9	7029	Federal Home Loan Mortgage Co.		12/16/2019	5,000,000.00	5,014,150.00	4,998,587.50	2.030	AA	2.036	1,720	12/16/2024
3134GUC32	7043	Federal Home Loan Mortgage Co.		12/19/2019	5,000,000.00	5,013,350.00	5,000,000.00	2.000	AA	2.000	1,540	06/19/2024
3134GUYX2	7044	Federal Home Loan Mortgage Co.		12/19/2019	5,000,000.00	5,014,800.00	5,000,000.00	2.000	AA	2.000	1,540	06/19/2024
3134GUB82	7045	Federal Home Loan Mortgage Co.		12/19/2019	5,000,000.00	5,014,350.00	5,000,000.00	1.875	AA	1.875	1,174	06/19/2023
3134GUC32	7046	Federal Home Loan Mortgage Co.		12/19/2019	5,000,000.00	5,013,350.00	5,000,000.00	2.000	AA	2.000	1,540	06/19/2024
3134GUE89	7047	Federal Home Loan Mortgage Co.		12/23/2019	5,000,000.00	5,015,850.00	5,000,000.00	1.850	AA	1.850	1,086	03/23/2023
3134GUZY9	7050	Federal Home Loan Mortgage Co.		12/23/2019	8,000,000.00	8,024,880.00	8,000,000.00	1.750	AA	1.750	813	06/23/2022
3134GUE89	7051	Federal Home Loan Mortgage Co.		12/23/2019	5,000,000.00	5,015,850.00	5,000,000.00	1.850	AA	1.850	1,086	03/23/2023
3134GUH60	7058	Federal Home Loan Mortgage Co.		12/30/2019	10,000,000.00	10,095,600.00	10,000,000.00	2.000	AA	2.000	1,734	12/30/2024
3134GUQ86	7064	Federal Home Loan Mortgage Co.		01/06/2020	5,000,000.00	5,017,050.00	5,000,000.00	1.850	AA	1.850	1,191	07/06/2023
3134GUS35	7065	Federal Home Loan Mortgage Co.		01/08/2020	5,000,000.00	5,001,300.00	5,000,000.00	1.900	AA	1.900	1,377	01/08/2024
3134GUQ94	7067	Federal Home Loan Mortgage Co.		01/10/2020	10,000,000.00	10,196,800.00	10,000,000.00	1.800	AA	1.800	1,745	01/10/2025
3134GUV56	7068	Federal Home Loan Mortgage Co.		01/13/2020	10,000,000.00	10,030,700.00	10,000,000.00	1.700	AA	1.700	1,198	07/13/2023
3134GUW55	7069	Federal Home Loan Mortgage Co.		01/13/2020	10,000,000.00	10,034,200.00	10,000,000.00	1.650	AA	1.650	833	07/13/2022
3134GUS50	7070	Federal Home Loan Mortgage Co.		01/13/2020	10,000,000.00	10,029,000.00	10,000,000.00	1.700	AA	1.700	833	07/13/2022
3134GUS92	7071	Federal Home Loan Mortgage Co.		01/16/2020	10,000,000.00	10,114,100.00	10,000,000.00	1.800	AA	1.800	1,751	01/16/2025
3136G3MG7	6085	Federal Nat'l Mtg. Assoc.		05/18/2016	5,000,000.00	5,007,250.00	5,000,000.00	1.500	AA	1.500	47	05/18/2020
3136G4GF4	6586	Federal Nat'l Mtg. Assoc.		11/27/2017	3,700,000.00	3,703,256.00	3,668,702.48	1.550	AA	2.112	575	10/28/2021
3136G3Y25	6649	Federal Nat'l Mtg. Assoc.		02/07/2018	5,000,000.00	5,005,000.00	4,936,901.41	1.500	AA	2.446	511	08/25/2021
3135G0W74	6973	Federal Nat'l Mtg. Assoc.		10/30/2019	5,000,000.00	5,023,150.00	4,998,925.09	1.800	AA	1.809	940	10/28/2022
45905U4F8	6950	INTL Bank Recon & Develop		09/26/2019	10,000,000.00	10,405,800.00	10,000,000.00	2.000	AAA	2.000	1,273	09/26/2023
<b>Subtotal and Average</b>			<b>550,991,804.81</b>		<b>470,888,000.00</b>	<b>473,977,003.37</b>	<b>470,756,985.82</b>			<b>1.936</b>	<b>1,242</b>	

**County Pool 2019-2020  
Portfolio Management  
Portfolio Details - Cash  
March 31, 2020**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM Days to Maturity
Average Balance			0.00							0
Total Cash and Investments			1,623,157,601.79		1,741,964,901.00	1,751,667,502.25	1,739,366,354.75			1.737 479



**Monthly  
Maturity Report  
Sorted by Maturity Date  
Amounts due during January 1, 2020 - March 31, 2020**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
912796RT8	6780	1	ATD	USTR	5,000,000.00	01/02/2020	01/04/2019	2.475	5,000,000.00	0.00	5,000,000.00	0.00
912796RT8	6781	1	ATD	USTR	5,000,000.00	01/02/2020	01/04/2019	2.475	5,000,000.00	0.00	5,000,000.00	0.00
912796RT8	6784	1	ATD	USTR	10,000,000.00	01/02/2020	01/17/2019	2.483	10,000,000.00	0.00	10,000,000.00	0.00
3133EHEJ8	6313	1	MC1	FFCB	5,000,000.00	01/03/2020	04/18/2017	1.625	5,000,000.00	40,625.00	5,040,625.00	40,625.00
912796TA7	6933	1	ATD	USTR	5,000,000.00	01/09/2020	09/05/2019	1.840	5,000,000.00	0.00	5,000,000.00	0.00
3133EH6L2	6633	1	FAC	FFCB	5,000,000.00	01/10/2020	01/10/2018	1.950	5,000,000.00	48,750.00	5,048,750.00	48,750.00
313384RU5	6870	1	AFD	FHLBDN	5,000,000.00	01/14/2020	04/25/2019	2.360	5,000,000.00	0.00	5,000,000.00	0.00
912828V31	6646	1	TRC	USTR	5,000,000.00	01/15/2020	02/06/2018	1.375	5,000,000.00	34,375.00	5,034,375.00	34,375.00
3136G4KQ5	6252	1	FAC	FNMA	5,000,000.00	01/17/2020	03/03/2017	1.650	5,000,000.00	41,250.00	5,041,250.00	41,250.00
313384SD2	7020	1	AFD	FHLBDN	10,000,000.00	01/23/2020	12/10/2019	1.525	10,000,000.00	0.00	10,000,000.00	0.00
3134G9AH0	6072	1	FAC	FHLMC	5,000,000.00	01/27/2020	04/27/2016	1.300	5,000,000.00	32,500.00	5,032,500.00	32,500.00
3134G9AH0	6073	1	FAC	FHLMC	4,000,000.00	01/27/2020	04/27/2016	1.300	4,000,000.00	26,000.00	4,026,000.00	26,000.00
912796RY7	6788	1	ATD	USTR	5,000,000.00	01/30/2020	02/04/2019	2.480	5,000,000.00	0.00	5,000,000.00	0.00
912796RY7	6789	1	ATD	USTR	5,000,000.00	01/30/2020	02/04/2019	2.478	5,000,000.00	0.00	5,000,000.00	0.00
912796RY7	6790	1	ATD	USTR	5,000,000.00	01/30/2020	02/04/2019	2.477	5,000,000.00	0.00	5,000,000.00	0.00
912828H52	6611	1	TRC	USTR	5,000,000.00	01/31/2020	12/12/2017	1.250	5,000,000.00	31,250.00	5,031,250.00	31,250.00
3134G9DF1	6080	1	MC1	FHLMC	5,000,000.00	02/04/2020	05/04/2016	1.410	5,000,000.00	35,250.00	5,035,250.00	35,250.00
313384ST7	6873	1	AFD	FHDN	5,000,000.00	02/06/2020	05/06/2019	2.320	5,000,000.00	0.00	5,000,000.00	0.00
313312SU5	7062	1	AFD	FFCBND	10,000,000.00	02/07/2020	12/31/2019	1.540	10,000,000.00	0.00	10,000,000.00	0.00
3136G4KW2	6247	1	FAC	FNMA	3,200,000.00	02/14/2020	02/14/2017	1.650	3,200,000.00	26,400.00	3,226,400.00	26,400.00
912828W22	6647	1	TRC	USTR	5,000,000.00	02/15/2020	02/06/2018	1.375	5,000,000.00	34,375.00	5,034,375.00	34,375.00
3133EGAE5	6088	1	MC1	FFCB	5,000,000.00	02/18/2020	05/18/2016	1.360	5,000,000.00	34,000.00	5,034,000.00	34,000.00
3136G1CL1	6187	1	FAC	FNMA	5,000,000.00	02/20/2020	12/07/2016	1.500	5,000,000.00	37,500.00	5,037,500.00	37,500.00
912796TG4	6963	1	ATD	USTR	5,000,000.00	02/20/2020	10/10/2019	1.620	5,000,000.00	0.00	5,000,000.00	0.00
313384TJ8	7026	1	AFD	FHDN	5,000,000.00	02/21/2020	12/12/2019	1.560	5,000,000.00	0.00	5,000,000.00	0.00
912796SD2	6811	1	ATD	USTR	5,000,000.00	02/27/2020	03/08/2019	2.442	5,000,000.00	0.00	5,000,000.00	0.00
3130ABUN4	6518	1	FAC	FHLB	5,000,000.00	02/28/2020	09/18/2017	1.520	5,000,000.00	38,000.00	5,038,000.00	38,000.00
912828J50	6848	1	TRC	USTR	10,000,000.00	02/29/2020	04/15/2019	1.375	10,000,000.00	68,750.00	10,068,750.00	68,750.00
912796TH2	6964	1	ATD	USTR	5,000,000.00	03/05/2020	10/10/2019	1.595	5,000,000.00	0.00	5,000,000.00	0.00
912796TH2	6966	1	ATD	USTR	5,000,000.00	03/05/2020	10/16/2019	1.588	5,000,000.00	0.00	5,000,000.00	0.00
313384TY5	7024	1	AFD	FHDN	10,000,000.00	03/06/2020	12/11/2019	1.535	10,000,000.00	0.00	10,000,000.00	0.00
313396UM3	7016	1	AFD	FMCDN	10,000,000.00	03/19/2020	12/06/2019	1.530	10,000,000.00	0.00	10,000,000.00	0.00
313384UN7	7049	1	AFD	FHDN	5,000,000.00	03/20/2020	12/23/2019	1.585	5,000,000.00	0.00	5,000,000.00	0.00
3134GBL83	6550	1	FAC	FHLMC	5,000,000.00	03/27/2020	09/27/2017	1.600	5,000,000.00	40,000.00	5,040,000.00	40,000.00
313312UY4	6849	1	AFD	FFCBND	5,000,000.00	03/30/2020	04/16/2019	2.380	5,000,000.00	0.00	5,000,000.00	0.00
912828J84	6191	1	TRC	USTR	5,000,000.00	03/31/2020	12/09/2016	1.375	5,000,000.00	34,375.00	5,034,375.00	34,375.00

**Monthly  
Maturity Report**  
Amounts due during January 1, 2020 - March 31, 2020

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
			Total Maturities		207,200,000.00				207,200,000.00	603,400.00	207,803,400.00	603,400.00



**Monthly  
Purchases Report  
Sorted by Fund - Fund  
January 1, 2020 - March 31, 2020**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
<b>Treasurer's Pooled Investments</b>													
3134GUQ86	7064	1	MC1	FHLMC	5,000,000.00	01/06/2020	07/06 - 01/06	5,000,000.00		1.850	07/06/2023	1.850	5,000,000.00
3134GUS35	7065	1	MC1	FHLMC	5,000,000.00	01/08/2020	04/08 - Final Pmt.	5,000,000.00		1.900	01/08/2024	1.900	5,000,000.00
3133ELGK4	7066	1	MC1	FFCB	5,000,000.00	01/09/2020	04/09 - 10/09	5,000,000.00		1.640	04/09/2021	1.641	5,000,000.00
3134GUQ94	7067	1	MC1	FHLMC	10,000,000.00	01/10/2020	07/10 - 01/10	10,000,000.00		1.800	01/10/2025	1.800	10,000,000.00
3134GUV56	7068	1	MC1	FHLMC	10,000,000.00	01/13/2020	07/13 - 01/13	10,000,000.00		1.700	07/13/2023	1.700	10,000,000.00
3134GUW55	7069	1	MC1	FHLMC	10,000,000.00	01/13/2020	07/13 - 01/13	10,000,000.00		1.650	07/13/2022	1.650	10,000,000.00
3134GUS50	7070	1	MC1	FHLMC	10,000,000.00	01/13/2020	07/13 - 01/13	10,000,000.00		1.700	07/13/2022	1.700	10,000,000.00
3134GUS92	7071	1	MC1	FHLMC	10,000,000.00	01/16/2020	07/16 - 01/16	10,000,000.00		1.800	01/16/2025	1.800	10,000,000.00
SYS7075	7075	1	LA1	CHASE	50,000,000.00	02/14/2020	03/01 - Monthly	50,000,000.00		0.500		0.500	5,000,000.00
			<b>Subtotal</b>		<b>115,000,000.00</b>			<b>115,000,000.00</b>	<b>0.00</b>				<b>70,000,000.00</b>
			<b>Total Purchases</b>		<b>115,000,000.00</b>			<b>115,000,000.00</b>	<b>0.00</b>				<b>70,000,000.00</b>



**Monthly  
Sales/Call Report  
Sorted by Maturity Date - Fund  
January 1, 2020 - March 31, 2020**

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
<b>04/13/2020</b>												
3133EF2L0	6063	1	FFCB MC1	04/13/2016	03/16/2020 04/13/2020	5,000,000.00	1.400	5,000,000.00	5,000,000.00	29,750.00	5,029,750.00 Call	29,750.00
					<b>Subtotal</b>	<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>29,750.00</b>	<b>5,029,750.00</b>	<b>29,750.00</b>
<b>04/14/2020</b>												
3130A6JG3	6525	1	FHLB MC1	09/21/2017	01/10/2020 04/14/2020	5,000,000.00	1.700	4,999,872.70	5,000,000.00	20,305.56	5,020,305.56 Call	20,432.86
					<b>Subtotal</b>	<b>5,000,000.00</b>		<b>4,999,872.70</b>	<b>5,000,000.00</b>	<b>20,305.56</b>	<b>5,020,305.56</b>	<b>20,432.86</b>
<b>06/08/2020</b>												
3133EGDW2	6099	1	FFCB MC1	06/08/2016	03/13/2020 06/08/2020	5,000,000.00	1.520	5,000,000.00	5,000,000.00	20,055.56	5,020,055.56 Call	20,055.56
					<b>Subtotal</b>	<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>20,055.56</b>	<b>5,020,055.56</b>	<b>20,055.56</b>
<b>06/29/2020</b>												
3133EGHP3	6112	1	FFCB MC1	06/29/2016	03/13/2020 06/29/2020	5,000,000.00	1.420	5,000,000.00	5,000,000.00	14,594.44	5,014,594.44 Call	14,594.44
					<b>Subtotal</b>	<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>14,594.44</b>	<b>5,014,594.44</b>	<b>14,594.44</b>
<b>07/20/2020</b>												
3133EF3P0	6067	1	FFCB MC1	04/20/2016	03/13/2020 07/20/2020	6,003,000.00	1.490	6,002,795.70	6,003,000.00	13,168.25	6,016,168.25 Call	13,372.55
					<b>Subtotal</b>	<b>6,003,000.00</b>		<b>6,002,795.70</b>	<b>6,003,000.00</b>	<b>13,168.25</b>	<b>6,016,168.25</b>	<b>13,372.55</b>
<b>09/29/2020</b>												
3134GBH21	6564	1	FHLMC MC1	09/29/2017	03/29/2020 09/29/2020	5,000,000.00	1.700	4,998,166.67	5,000,000.00	42,500.00	5,042,500.00 Call	44,333.33
					<b>Subtotal</b>	<b>5,000,000.00</b>		<b>4,998,166.67</b>	<b>5,000,000.00</b>	<b>42,500.00</b>	<b>5,042,500.00</b>	<b>44,333.33</b>
<b>12/14/2020</b>												
3133EGEU5	6101	1	FFCB MC1	06/14/2016	03/10/2020 12/14/2020	5,000,000.00	1.540	5,000,000.00	5,000,000.00	18,394.44	5,018,394.44 Call	18,394.44
					<b>Subtotal</b>	<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>18,394.44</b>	<b>5,018,394.44</b>	<b>18,394.44</b>
<b>01/22/2021</b>												
3130A7RA5	6068	1	FHLB MC1	04/22/2016	03/20/2020 01/22/2021	5,000,000.00	1.650	5,000,000.00	5,000,000.00	13,291.67	5,013,291.67 Call	13,291.67
					<b>Subtotal</b>	<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>13,291.67</b>	<b>5,013,291.67</b>	<b>13,291.67</b>

**Monthly  
Sales/Call Report  
January 1, 2020 - March 31, 2020**

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
<b>01/29/2021</b>												
3130ADFV9	6642	1	FHLB MC1	01/29/2018	01/29/2020 01/29/2021	5,000,000.00	2.250	5,000,000.00	5,000,000.00	56,250.00	5,056,250.00 Call	56,250.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>56,250.00</b>	<b>5,056,250.00</b>	<b>56,250.00</b>
<b>03/29/2021</b>												
3134G8VN6	6056	1	FHLMC MC1	03/31/2016	03/29/2020 03/29/2021	1,000,000.00	1.600	1,000,000.00	1,000,000.00	8,000.00	1,008,000.00 Call	8,000.00
<b>Subtotal</b>						<b>1,000,000.00</b>		<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>8,000.00</b>	<b>1,008,000.00</b>	<b>8,000.00</b>
<b>06/30/2021</b>												
3134G9UM7	6113	1	FHLMC MC1	06/30/2016	03/30/2020 06/30/2021	5,000,000.00	1.750 V	5,000,000.00	5,000,000.00	21,875.00	5,021,875.00 Call	21,875.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>21,875.00</b>	<b>5,021,875.00</b>	<b>21,875.00</b>
<b>07/02/2021</b>												
3134GTXD0	6907	1	FHLMC MC1	07/02/2019	01/02/2020 07/02/2021	5,000,000.00	2.100	5,000,000.00	5,000,000.00	52,500.00	5,052,500.00 Call	52,500.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>52,500.00</b>	<b>5,052,500.00</b>	<b>52,500.00</b>
<b>08/04/2021</b>												
3130AHHT3	6977	1	FHLB MC1	11/04/2019	02/04/2020 08/04/2021	5,000,000.00	1.700	5,000,000.00	5,000,000.00	21,250.00	5,021,250.00 Call	21,250.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>21,250.00</b>	<b>5,021,250.00</b>	<b>21,250.00</b>
<b>08/05/2021</b>												
3134GTT78	6915	1	FHLMC MC1	08/07/2019	02/05/2020 08/05/2021	2,350,000.00	2.080	2,349,823.26	2,350,000.00	24,440.00	2,374,440.00 Call	24,616.74
<b>Subtotal</b>						<b>2,350,000.00</b>		<b>2,349,823.26</b>	<b>2,350,000.00</b>	<b>24,440.00</b>	<b>2,374,440.00</b>	<b>24,616.74</b>
<b>09/07/2021</b>												
3133EGR98	6184	1	FFCB FAC	12/07/2016	01/09/2020 09/07/2021	5,000,000.00	2.020	5,000,000.00	5,000,000.00	34,227.78	5,034,227.78 Call	34,227.78
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>34,227.78</b>	<b>5,034,227.78</b>	<b>34,227.78</b>
<b>01/24/2022</b>												
3134GTG72	6911	1	FHLMC MC1	07/24/2019	01/24/2020 01/24/2022	5,000,000.00	2.125	5,000,000.00	5,000,000.00	53,125.00	5,053,125.00 Call	53,125.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>53,125.00</b>	<b>5,053,125.00</b>	<b>53,125.00</b>
<b>03/04/2022</b>												
3134GTRL9	6897	1	FHLMC MC1	06/04/2019	03/04/2020 03/04/2022	5,000,000.00	2.350	5,000,000.00	5,000,000.00	58,750.00	5,058,750.00 Call	58,750.00

V - Security with variable rate change.

**Monthly  
Sales/Call Report  
January 1, 2020 - March 31, 2020**

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>58,750.00</b>	<b>5,058,750.00</b>	<b>58,750.00</b>
<b>03/25/2022</b>												
3134GTAS2	6825	1	FHLMC MC1	03/25/2019	03/25/2020 03/25/2022	5,000,000.00	2.500	5,000,000.00	5,000,000.00	62,500.00	5,062,500.00 Call	62,500.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>62,500.00</b>	<b>5,062,500.00</b>	<b>62,500.00</b>
<b>07/22/2022</b>												
45905U6X7	6909	1	IBRD MC1	07/22/2019	01/22/2020 07/22/2022	10,000,000.00	2.240	10,000,000.00	10,000,000.00	112,000.00	10,112,000.00 Call	112,000.00
<b>Subtotal</b>						<b>10,000,000.00</b>		<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>112,000.00</b>	<b>10,112,000.00</b>	<b>112,000.00</b>
<b>11/10/2022</b>												
3134GTLC5	6884	1	FHLMC MC1	05/10/2019	02/10/2020 11/10/2022	5,000,000.00	2.520	5,000,000.00	5,000,000.00	63,000.00	5,063,000.00 Call	63,000.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>63,000.00</b>	<b>5,063,000.00</b>	<b>63,000.00</b>
<b>09/05/2023</b>												
3134GUWX4	7013	1	FHLMC MC1	12/05/2019	03/05/2020 09/05/2023	5,000,000.00	1.900	5,000,000.00	5,000,000.00	23,750.00	5,023,750.00 Call	23,750.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>23,750.00</b>	<b>5,023,750.00</b>	<b>23,750.00</b>
<b>03/27/2024</b>												
3134GTAW3	6830	1	FHLMC MC1	03/27/2019	03/27/2020 03/27/2024	5,000,000.00	2.550	5,000,000.00	5,000,000.00	63,750.00	5,063,750.00 Call	63,750.00
3134GUG79	7055	1	FHLMC MC1	12/27/2019	03/27/2020 03/27/2024	5,000,000.00	2.000	5,000,000.00	5,000,000.00	25,000.00	5,025,000.00 Call	25,000.00
<b>Subtotal</b>						<b>10,000,000.00</b>		<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>88,750.00</b>	<b>10,088,750.00</b>	<b>88,750.00</b>
<b>08/26/2024</b>												
3134GT2J1	6929	1	FHLMC MC1	08/26/2019	02/26/2020 08/26/2024	5,000,000.00	2.190	5,000,000.00	5,000,000.00	54,750.00	5,054,750.00 Call	54,750.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>54,750.00</b>	<b>5,054,750.00</b>	<b>54,750.00</b>
<b>08/28/2024</b>												
3130AGXY6	6930	1	FHLB MC1	08/28/2019	02/28/2020 08/28/2024	5,000,000.00	2.150	5,000,000.00	5,000,000.00	53,750.00	5,053,750.00 Call	53,750.00
<b>Subtotal</b>						<b>5,000,000.00</b>		<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>53,750.00</b>	<b>5,053,750.00</b>	<b>53,750.00</b>
<b>12/30/2024</b>												
3130AHT78	7060	1	FHLB MC1	12/31/2019	03/30/2020 12/30/2024	10,000,000.00	2.125	10,000,000.00	10,000,000.00	53,125.00	10,053,125.00 Call	53,125.00
<b>Subtotal</b>						<b>10,000,000.00</b>		<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>53,125.00</b>	<b>10,053,125.00</b>	<b>53,125.00</b>

**Monthly  
Sales/Call Report  
January 1, 2020 - March 31, 2020**

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
					<b>Total Sales</b>	134,353,000.00		134,350,658.33	134,353,000.00	1,014,102.70	135,367,102.70	1,016,444.37