"NEW ISSUE – BOOK ENTRY ONLY"

RATINGS: Fitch: "AAA"
Moody's: "Aa3"
(See "RATINGS" herein.)

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. Bond Counsel observes, however, that interest on the Bonds will be included in calculating a corporation's adjusted current earnings for purposes of calculating alternative minimum taxable income for taxable years beginning prior to January 1, 2018. See "TAX MATTERS" herein.

$66,985,000
SANTA ANA UNIFIED SCHOOL DISTRICT
(Orange County, California)
2018 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery **Due: August 1, as shown below**

The Santa Ana Unified School District 2018 General Obligation Refunding Bonds (the "Bonds") are being issued by the Santa Ana Unified School District (the "District") to (i) refund certain maturities of the District's outstanding Election of 2008 General Obligation Bonds Series A and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF REFUNDING." The Bonds are issued on a parity basis with all other general obligation bonds of the District.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2018. See "THE BONDS" herein.

The Bonds will be issued in book-entry form only, in denominations of $5,000 principal amount or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System."

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

The Bonds are general obligations of the District only and are not obligations of the County of Orange (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount sufficient, together with other moneys available for such purpose, to pay the principal and premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about May 16, 2018.

RBC Capital Markets®

The Date of this Official Statement is: April 18, 2018

MATURITY SCHEDULE

$66,985,000
SANTA ANA UNIFIED SCHOOL DISTRICT
(Orange County, California)
2018 GENERAL OBLIGATION REFUNDING BONDS

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (801155)
2018	$1,355,000	3.000%	1.520%	XA5
2019	195,000	4.000	1.600	XB3
2020	205,000	4.000	1.680	XC1
2021	210,000	4.000	1.800	XD9
2022	220,000	4.000	1.900	XE7
2023	230,000	5.000	2.000	XF4
2024	240,000	5.000	2.070	XG2
2025	4,450,000	5.000	2.140	XH0
2026	4,985,000	5.000	2.220	XJ6
2027	5,615,000	5.000	2.300	XK3
2028	6,290,000	5.000	2.370	XL1
2029	7,000,000	5.000	2.460*	XM9
2030	7,750,000	5.000	2.550*	XN7
2031	8,560,000	5.000	2.610*	XP2
2032	9,420,000	4.000	2.950*	XQ0
2033	10,260,000	4.000	3.040*	XR8

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* Yield to par call on August 1, 2028.

[1] Copyright 2018, 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 Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

No dealer, broker, salesperson or other person has been authorized by the Santa Ana Unified School District (the "District") to provide any information or to make any representations other than as 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, the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Orange, the County of Orange has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth in "APPENDIX E –"ORANGE COUNTY INVESTMENT POLICY STATEMENT."

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."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

SANTA ANA UNIFIED SCHOOL DISTRICT
Orange County, State of California

Board of Education

Valerie Amezcua, President
Rigo Rodriguez, Ph.D., Vice President
Alfonso Alvarez, Ed.D., Clerk
Cecilia Iglesias, Member
John Palacio, Member

District Administrators

Stefanie P. Phillips, Ed.D., Superintendent
Edmond T. Heatley, Ed.D., Deputy Superintendent, Administrative Services
Alfonso Jimenez, Ed.D., Deputy Superintendent, Educational Services
Mark McKinney, Associate Superintendent, Human Resources
Manoj Roychowdhury, Assistant Superintendent, Business Services
Orin L. Williams, Assistant Superintendent, Facilities & Governmental Relations
Sonia R. Llamas, Ed.D., L.C.S.W., Assistant Superintendent K–12 School Performance and Culture
Daniel Allen, Ed.D., Assistant Superintendent, K–12 Teaching and Learning
Mayra Helguera, Assistant Superintendent, Special Education/SELPA

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Financial Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent, Transfer Agent, Registration Agent and Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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$66,985,000
SANTA ANA UNIFIED SCHOOL DISTRICT
(Orange County, California)
2018 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

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

The Santa Ana Unified School District (the "District") proposes to issue $66,985,000 aggregate principal amount of its 2018 General Obligation Refunding Bonds (the "Bonds") in order to refund certain general obligation bonds of the District issued pursuant to an authorization (the "2008 Authorization") for the issuance and sale of not to exceed $200,0000,000 of general obligation bonds approved by more than 2/3 of the qualified voters of the District voting on the proposition at a general election held on June 3, 2008 (the "2008 Election"), pursuant to which no additional general obligation bonds remain for issuance. Refunding bonds are not counted against the 2008 Authorization amount and therefore, the District may issue the Bonds, as well as additional refunding bonds in the future, to refund outstanding general obligation bonds issued pursuant to the 2008 Authorization. The Bonds are issued on a parity basis with all general obligation bonds of the District.

Purpose of Issue

The District intends to apply the proceeds from the sale of the Bonds to (i) refund a portion of its outstanding Election of 2008 General Obligation Bonds Series A (the "Series A Bonds") and (ii) pay all legal, financial and contingent costs in connection with the issuance of the Bonds. See "PLAN OF REFUNDING" below.

Concurrent Borrowing

Concurrent with the issuance of the Bonds, the District has initiated proceedings to refund its outstanding 2007 Certificates of Participation through the execution and delivery of its 2018 Refunding Certificates of Participation (the "2018 Refunding Certificates"). See SANTA ANA UNIFIED SCHOOL DISTRICT – Certain Existing Obligations" herein. The 2018 Refunding Certificates evidence fractional interests in certain lease payments to be made by the District, as lessee under a lease agreement. The District will covenant to budget and appropriate lease payments in each year in consideration of the use and occupancy of certain real property and improvements thereon from any source of legally available funds, and to take such action as may be necessary to include all such lease payments in its annual budgets and to make the necessary annual appropriations therefor.

The 2018 Refunding Certificates are not secured by ad valorem property taxes, and are not parity obligations with the Bonds. The obligation of the District to make lease payments with respect to the 2018 Refunding Certificates is subject to annual appropriation of the District and does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

Registration

The Bank of New York Mellon Trust Company, N.A. will act as the initial registrar, transfer agent and paying agent for the Bonds (the "Paying Agent"). As long as The Depository Trust Company, New York, New York ("DTC") is the registered Owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. See "THE BONDS – Description of the Bonds" herein.

The District

The District, established in 1888, is comprised of 24 square miles located in northern Orange County (the "County"). The District serves the residents in the Cities of Santa Ana, Irvine, Newport Beach, Costa Mesa, Orange, Tustin and adjacent unincorporated areas of the County and provides education services in 36 elementary schools, nine middle schools and seven high schools. In addition, the District includes three educational options secondary schools, a deaf and hard of hearing center, two early education centers and an early learner childhood education special needs development center. The District also operates one charter school and there are four additional charter schools operating within the District. The average daily attendance ("ADA") for the District for fiscal year 2017-18 is 46,790 students and the District has a 2017-18 assessed valuation of $31,158,190,791. The audited financial statements for the District for the fiscal year ended June 30, 2017 are attached hereto as APPENDIX C. For further information concerning the District, see the caption "SANTA ANA UNIFIED SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

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

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under certain provisions of the Government Code of the State and pursuant to a resolution adopted by the Board of Education of the District (the "Board"). See "THE BONDS –Authority for Issuance" herein. The Government Code permits the issuance of bonds payable from ad valorem taxes without a vote of the electors solely in order to refund other outstanding bonds that were originally approved by such a vote, provided i) that the total debt service to maturity on the refunding bonds not exceed the total debt service to maturity on the bonds to be refunded and ii) certain legislative determinations are made by the Board.

Redemption

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

Tax Matters

In the opinion of Dannis Woliver Kelley, Long Beach, California, ("Bond Counsel"), under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. Bond Counsel observes, however, that interest on the Bonds will be included in calculating a corporation's adjusted current earnings for purposes of calculating alternative minimum taxable income for taxable years beginning prior to January 1, 2018. See "TAX MATTERS" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" herein and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about May 16, 2018.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Articles 9 and 11 of the Government Code of the State of California (the "Government Code") (commencing with Section 53550) and pursuant to a resolution of the Board adopted on April 10, 2018 (the "Resolution").

Purpose of Issue

The net proceeds of the Bonds will be applied to refund a portion of the Series A Bonds. See "PLAN OF REFUNDING" herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of $5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by The Bank of New York Mellon Trust Company, N.A., to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC

Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" hereto.

Payment of the Bonds

Interest on the Bonds is payable commencing August 1, 2018, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date") through maturity.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered during the period from the 16th day of the month immediately preceding any Interest Payment Date to that Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is registered prior to the close of business on July 15, 2018, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption

The Bonds maturing on or before August 1, 2028 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2029, may be redeemed before maturity at the option of the District, from any source of available funds, on any date on or after August 1, 2028 at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, without premium.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice of the redemption of the Bonds at least 30 but not more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid. Such redemption notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount, as appropriate, of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date in the case of Bonds, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Right to Rescind Notice of Redemption

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of and interest and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside for payment of the redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash, which is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Owners and Beneficial Owners of the Bonds, to provide certain information as set forth therein. See "CONTINUING DISCLOSURE" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$66,985,000.00
Original Issue Premium	11,591,284.15
Total Sources	$78,576,284.15
Uses of Funds	
Deposit to Escrow Fund	$78,146,578.36
Costs of Issuance[1]	429,705.79
Total Uses	$78,576,284.15

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[1] Payment of Underwriter's discount, Bond and Disclosure Counsel fees, financial advisory fees, rating agency fees, and other costs of issuance.

DEBT SERVICE SCHEDULE

The table below summarizes the annual principal and interest payments on the Bonds.

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2018	$1,355,000.00	$649,385.42	$2,004,385.42
2019	195,000.00	3,076,400.00	3,271,400.00
2020	205,000.00	3,068,600.00	3,273,600.00
2021	210,000.00	3,060,400.00	3,270,400.00
2022	220,000.00	3,052,000.00	3,272,000.00
2023	230,000.00	3,043,200.00	3,273,200.00
2024	240,000.00	3,031,700.00	3,271,700.00
2025	4,450,000.00	3,019,700.00	7,469,700.00
2026	4,985,000.00	2,797,200.00	7,782,200.00
2027	5,615,000.00	2,547,950.00	8,162,950.00
2028	6,290,000.00	2,267,200.00	8,557,200.00
2029	7,000,000.00	1,952,700.00	8,952,700.00
2030	7,750,000.00	1,602,700.00	9,352,700.00
2031	8,560,000.00	1,215,200.00	9,775,200.00
2032	9,420,000.00	787,200.00	10,207,200.00
2033	10,260,000.00	410,400.00	10,670,400.00
Total	$66,985,000.00	$35,581,935.42	$102,566,935.42

The table on the following page shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the General Obligation Bonds, Election of 1999, Series 2002B (the "2002B Bonds"), the Series A Bonds, the 2009 General Obligation Refunding Bonds (the "2009 Refunding Bonds"), the Election of 2008 General Obligation Bonds, Series B (the "Series B Bonds"), the Election of 2008 General Obligation Bonds, Series C (Qualified School Construction Bonds) (the "Series C Bonds"), the Election of 2008 General Obligation Bonds, Series D (the "Series D Bonds"), the Election of 2008 General Obligation Bonds, Series E (Federally Taxable Direct-Pay – Build America Bonds) (the "Series E Bonds"), the Election of 2008 General Obligation Bonds, Series F (Federally Taxable Direct-Pay – Qualified School Construction Bonds) (the "Series F Bonds" and, together with the Series A Bonds, the Series B Bonds, the Series C Bonds, the Series D Bonds and the Series E Bonds, the "2008 Authorization Bonds"), the 2010 General Obligation Refunding Bonds (the "2010 Refunding Bonds"), the 2012 General Obligation Refunding Bonds (the "2012 Refunding Bonds" and, together with the 2002B Bonds, the 2009 Refunding Bonds and the 2010 Refunding Bonds, the "1999 Authorization Bonds") and the Bonds.

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DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Period Ending August 1	1999 Authorization Bonds	2008 Authorization Bonds[1,2]	The Bonds	Total Debt Service
2018	$8,383,887.50	$7,136,937.25	$2,004,385.42	$17,525,210.17
2019	9,516,275.00	8,941,876.50	3,271,400.00	21,729,551.50
2020	9,520,375.00	9,419,288.50	3,273,600.00	22,213,263.50
2021	9,513,575.00	9,553,009.50	3,270,400.00	22,336,984.50
2022	9,522,110.00	10,083,086.50	3,272,000.00	22,877,196.50
2023	9,232,322.50	10,659,566.50	3,273,200.00	23,165,089.00
2024	9,233,197.50	11,252,496.50	3,271,700.00	23,757,394.00
2025	9,231,047.50	6,718,667.50	7,469,700.00	23,419,415.00
2026	9,229,922.50	6,954,629.50	7,782,200.00	23,966,752.00
2027	9,231,535.00	6,770,801.50	8,162,950.00	24,165,286.50
2028	9,233,975.00	6,950,082.50	8,557,200.00	24,741,257.50
2029	9,227,387.50	6,948,026.24	8,952,700.00	25,128,113.74
2030	9,558,137.50	6,209,045.53	9,352,700.00	25,119,883.03
2031	9,553,987.50	5,269,563.88	9,775,200.00	24,598,751.38
2032	9,553,050.00	5,358,320.22	10,207,200.00	25,118,570.22
2033	—	5,511,520.00	10,670,400.00	16,181,920.00
2034	—	18,631,230.00	—	18,631,230.00
2035	—	20,138,100.00	—	20,138,100.00
2036	—	20,956,125.00	—	20,956,125.00
2037	—	21,805,630.00	—	21,805,630.00
2038	—	22,695,550.00	—	22,695,550.00
2039	—	23,626,528.71	—	23,626,528.71
2040	—	24,592,796.23	—	24,592,796.23
2041	—	25,597,270.02	—	25,597,270.02
2042	—	24,219,873.32	—	24,219,873.32
2043	—	25,249,933.69	—	25,249,933.69
2044	—	26,322,877.58	—	26,322,877.58
2045	—	27,436,839.60	—	27,436,839.60
2046	—	28,495,876.50	—	28,495,876.50
2047	—	28,500,000.00	—	28,500,000.00
Total	$139,740,785.00	$462,005,548.77	$102,566,935.42	$704,313,269.19

(1) Does not include debt service on the Series A Bonds to be refunded with proceeds of the Bonds.
(2) Sinking fund payment dates are September 15 for the Series C Bonds.

Permitted Investments

Under California law, the District is generally required to pay all moneys received from any source into the County treasury to be held on behalf of the District. The proceeds of the ad valorem property tax levied to pay the Bonds will be deposited in the County treasury to the credit of the Debt Service Fund and shall be accounted for separately from all other District and County funds. Such moneys shall be applied solely for the purposes of payment of principal of and interest on the Bonds.

All funds held by the Orange County Treasurer-Tax Collector (the "County Treasurer") in the Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the District, in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E – "ORANGE COUNTY INVESTMENT POLICY STATEMENT" for a description of the permitted investments under the investment policy of the County. See "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE" and APPENDIX E – "ORANGE COUNTY INVESTMENT POLICY STATEMENT."

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District payable solely from ad valorem property taxes. The Board of Supervisors of the County of Orange has the power and is obligated to levy and collect ad valorem taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Restrictions on Use of Ad Valorem Taxes and Statutory Lien on Debt Service – Senate Bill 222

Under State law, school districts may levy ad valorem taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the ad valorem taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from ad valorem taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective January 1, 2016 and added by California Senate Bill 222 (2015) ("SB 222"), the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of ad valorem property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the ad valorem property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. See "LEGAL MATTERS – California Senate Bill 222" herein.

Pledge of Tax Revenues

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the ad valorem tax which the County levies and receives and all interest earnings thereon (the "Pledged Moneys"). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

PLAN OF REFUNDING

The District intends to apply the net proceeds of the sale of the Bonds to (i) refund the Series A Bonds maturing on August 1, 2025 through August 1, 2033 (the "Refunded Series A Bonds"), inclusive, and (ii) pay the costs of issuance of the Bonds.

Upon the issuance of the Bonds, the District will deposit the net proceeds of the Bonds into an Escrow Fund (the "Escrow Fund") established pursuant to the Escrow and Deposit Agreement, dated as of May 1, 2018, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") thereunder, in order to redeem the Refunded Series A Bonds on August 1, 2018, at a redemption price of the par amount of the Refunded Series A Bonds plus accrued interest.

The sufficiency of amounts deposited into the Escrow Fund, together with investment earnings thereon, to effect the redemption of the Refunded Series A Bonds will be verified by Causey Demgen & Moore P.C., certified public accountants (the "Verification Agent"). See the caption "ESCROW VERIFICATION" herein.

As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter's and the Verification Agent's computations, the Refunded Series A Bonds will be defeased and the obligation of the County to levy ad valorem taxes for payment of the Refunded Series A Bonds will also be defeased. Amounts deposited into the Escrow Fund are not available to pay debt service on the Bonds.

TAX BASE FOR REPAYMENT OF THE BONDS

Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities within the County receives a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. 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 County Treasurer. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on July 1. Those properties on the secured roll that become tax-defaulted on July 1 that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the County Treasurer's enforcement procedures (i.e., seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption fees and a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one-half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The State Constitution currently requires a credit of $7,000 of the taxable value of an owner-occupied dwelling for which application has been made to a county Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of $100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to $150,000 if the applicant meets the income limit of $40,000.

In addition, 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. No reimbursement is made by the State for such exemptions.

The following table presents the historical assessed valuation in the District for the last ten fiscal years including the annual percent change. The District's total assessed valuation is $31,158,190,791 in fiscal year 2017-18.

SANTA ANA UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2008-09 Through 2017-18

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2008-09	$24,396,904,033	$6,921,986	$3,447,524,359	$27,851,350,378	n/a
2009-10	23,108,835,810	6,779,053	3,267,407,717	26,383,022,580	(5.57)%
2010-11	21,959,757,156	6,941,096	3,080,634,360	25,047,332,612	(5.33)
2011-12	21,520,198,665	6,941,096	2,956,443,567	24,483,583,328	(2.30)
2012-13	21,975,110,192	3,385,790	2,908,745,101	24,887,241,083	1.62
2013-14	22,777,681,761	3,335,790	2,803,581,435	25,584,598,986	2.73
2014-15	23,828,940,502	3,335,790	2,993,634,016	26,825,910,308	4.63
2015-16	25,350,081,030	3,335,790	2,736,005,540	28,089,422,360	4.50
2016-17	26,600,733,580	3,236,838	2,807,769,653	29,411,740,071	4.50
2017-18	28,312,126,760	3,236,838	2,842,827,193	31,158,190,791	5.61

Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 ("Proposition 8"), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the factors described in the paragraph above 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 lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution."

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.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the County, and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIIIA (currently, a 2% annual maximum) until such assessed value again equals the Article XIIIA base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIIIA and base year values may not be increased by more than the standard Article XIIIA annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIIIA base year value for such property. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution" herein. 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

No assurance can be given that property tax appeals and reassessments in the future, or actions by County assessors, will not significantly reduce the assessed valuation of property within the District.

California Drought Conditions. Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced the end of the State-wide drought in all four counties (Orange County is not among the counties still in drought) in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions.

The District cannot make any representation regarding the effects that a future drought may have on the value of taxable property within the District, or to what extent a drought could cause disruptions to agricultural production, reduce land values, or adversely impact other economic activity within the boundaries of the District.

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The table below presents the 2017-18 assessed valuation within the District by land use.

SANTA ANA UNIFIED SCHOOL DISTRICT
2017-18 Assessed Valuation and Parcels by Land Use

Non-Residential:	2017-18 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Commercial/Office	$ 8,701,296,359	30.73%	4,526	8.75%
Vacant Commercial	312,379,562	1.10	327	0.63
Industrial	5,170,435,009	18.26	1,854	3.58
Vacant Industrial	161,222,626	0.57	259	0.50
Government/Social/Institutional	39,460,735	0.14	988	1.91
Vacant Other	74,805,010	0.26	327	0.63
Subtotal Non-Residential	$14,459,599,301	51.07%	8,281	16.01%
Residential:				
Single Family Residence	$10,759,635,262	38.00%	34,227	66.17%
Condominium	933,071,248	3.30	5,696	11.01
Mobile Home Related	58,813,369	0.21	119	0.23
Multi-family Residential	1,619,566,640	5.72	2,582	4.99
Vacant Residential	481,440,940	1.70	819	1.58
Subtotal Residential	$13,852,527,459	48.93%	43,443	83.99%
Total	$28,312,126,760	100.00%	51,724	100.00%

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

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The table below sets forth the largest local secured taxpayers within the District in fiscal year 2017-18.

SANTA ANA UNIFIED SCHOOL DISTRICT
2017-18 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total[1]
1.	The Irvine Company	Commercial	$ 421,354,100	1.49%
2.	Allergan Pharmaceuticals	Industrial	362,269,167	1.28
3.	Irvine Office Towers 1 LLC	Commercial	304,405,058	1.08
4.	Irvine Apartment Communities LP	Apartments	301,205,536	1.06
5.	Hancock S-REIT Irvine Corp.	Commercial	281,519,999	0.99
6.	Mainplace Shoppingtown LLC	Commercial	262,782,196	0.93
7.	Jacaranda Holdings LLC	Commercial	260,000,000	0.92
8.	Lakeshore Properties LLC	Commercial	200,560,804	0.71
9.	Edwards Lifesciences LLC	Industrial	171,283,194	0.60
10.	Astoria Central Park West	Apartments	154,739,575	0.55
11.	RP/Essex Skyline Holdings LLC	Apartments	138,783,922	0.49
12.	BRE/OC Griffin LLC	Commercial	136,180,714	0.48
13.	SPUS7 Irvine Hotel Owner LP	Commercial	130,692,141	0.46
14.	4000 MacArthur Owner LLC	Commercial	130,170,360	0.46
15.	First American Title Insurance Co.	Commercial	129,259,705	0.46
16.	Third Ave. Investment LLC	Commercial	115,823,107	0.41
17.	2050 Main Street LLC	Commercial	113,511,721	0.40
18.	BRE/OC Property Holdings LLC	Commercial	111,942,279	0.40
19.	EQR-Toscana Apartments LP	Apartments	111,559,571	0.39
20.	18301 Von Karman Property Holding LLC	Commercial	111,110,901	0.39
			$3,949,154,050	13.95%

[1] 2017-18 total secured assessed valuation: $28,312,126,760.
Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2017-18 account for 13.95% of the secured assessed value in the District, which is $28,312,126,760. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2017-18 was The Irvine Company, accounting for 1.49% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 1.28% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (11-003) for fiscal years 2013–14 through 2017–18.

SANTA ANA UNIFIED SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 11-003)[1]

	2013–14	2014–15	2015–16	2016–17	2017–18
General	1.00000	1.00000	1.00000	1.00000	1.00000
Santa Ana Unified School District	.07359	.06869	.06604	.06377	.06327
Rancho Santiago Community College District	.03334	.02878	.03063	.02999	.03013
Rancho Santiago Community College District SFID No. 1	–	.02200	.01976	.01946	.02075
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	1.11043	1.12297	1.11993	1.11672	1.11765

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[1] 2017–18 assessed valuation of TRA 11-003 is $6,212,219,152 which is 19.94% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County in fiscal year 1993-94 approved the implementation of 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 California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax–levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its ad valorem property tax levied with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all ad valorem property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of ad valorem property taxes would depend upon the collection of ad valorem property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Tax Levies and Delinquencies

The table below summarizes the annual secured tax levy and delinquencies within the District as of June 30 for fiscal years 2007-08 through 2016-17. The County has adopted the Teeter Plan. As a result, the District's receipt of property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect.

SANTA ANA UNIFIED SCHOOL DISTRICT
Secured Tax Charges

	Secured Tax Charge[1]	Amt. Del. June 30[2]	% Del. June 30
2007-08	$79,329,166.97	$2,822,996.99	3.56%
2008-09	84,157,390.89	2,878,706.94	3.42
2009-10	78,943,222.56	1,685,976.56	2.14
2010-11	75,700,682.42	1,113,250.10	1.47
2011-12	74,547,820.71	997,642.77	1.34
2012-13	75,679,180.14	725,941.79	0.96
2013-14	78,026,828.96	581,564.60	0.75
2014-15	81,584,927.57	566,193.35	0.69
2015-16	86,048,650.42	590,538.02	0.69
2016-17	90,338,944.96	636,301.45	0.70

(1) Represents 1% General Fund apportionment. Excludes secured supplemental property.
(2) Orange County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of November 1, 2017:

SANTA ANA UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2017-18 Assessed Valuation: $31,158,190,791

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/17
Metropolitan Water District	1.136%	$ 851,070
Irvine Ranch Water District Improvement District 113/213	3.233	1,257,286
Rancho Santiago Community College District	42.433	104,696,744
Rancho Santiago Community College District School Facilities Improvement District No. 1	80.914	41,100,266
Santa Ana Unified School District	100.000	256,466,073(1)
Santa Ana Unified School District Community Facilities District No. 2004-1	100.000	7,340,000
City of Irvine Community Facilities District No. 2004-1	100.000	17,960,000
City of Santa Ana 1915 Act Bonds	100.000	1,525,000
City of Irvine Assessment District No. 12-1	0.661	530,023
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$431,726,462
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	5.588%	$ 12,401,225
Orange County Pension Obligation Bonds	5.588	15,577,075
Orange County Board of Education Certificates of Participation	5.588	806,907
Santa Ana Unified School District Certificates of Participation	100.000	75,937,067(2)
City of Costa Mesa General Fund Obligations	5.248	2,440,320
City of Newport Beach Certificates of Participation	3.437	3,691,682
City of Santa Ana General Fund Obligations	75.565	39,917,211
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$150,771,487
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agency to Orange County Redevelopment Agency	36.914%	$ 5,134,737
Successor Agency to Santa Ana Redevelopment Agency Project Areas	81.419 & 82.376	69,169,827
Successor Agency to Tustin Redevelopment Agency Project Areas	2.086 & 3.608	1,790,608
TOTAL OVERLAPPING TAX INCREMENT DEBT		$76,095,172
COMBINED TOTAL DEBT		$658,593,121(3)

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($256,466,073)…………………………………..0.82%
Total Direct and Overlapping Tax and Assessment Debt............1.39%
Combined Direct Debt ($332,403,140)....................................1.07%
Combined Total Debt..2.11%

Ratios to Redevelopment Incremental Valuation ($5,961,635,182):
Total Overlapping Tax Increment Debt.......................................1.28%

____
(1) Includes the Series A Bonds and excludes the Bonds.
(2) Excludes the 2018 Refunding Certificates, but includes the 2007 Certificates of Participation.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula was initially implemented in fiscal year 2013-14 and has subsequently been implemented in stages with full implementation expected in fiscal year 2020-21. Prior to adoption of the Local Control Funding Formula, the State used a revenue limit system described below.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the Local Control Funding Formula beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See "-Revenue Limit Funding System" below. The Local Control Funding Formula distributes resources to schools through a guaranteed base revenue limit funding grant (the "Base Grant") per unit of ADA. The average Base Grant is $7,643 per unit of ADA, which is $2,375 more than the average revenue limit. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth. The Local Control Funding Formula replaces the existing revenue limit funding system and many categorical programs. The District has experienced increased revenues as a result of the implementation of the Local Control Funding Formula.

The primary component of AB 97, as amended by State Assembly Bill 91 (Stats. 2013, Chapter 49) ("SB 91"), is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

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

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

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

The following table sets forth the ADA by grade span, enrollment and the percentage of EL/LI enrollment for the District for fiscal years 2015-16, 2016-17 and 2017-18 with projections for fiscal years 2018-19 and 2019-20.

ADA, ENGLISH LANGUAGE/LOW INCOME ENROLLMENT
Fiscal Years 2015-16 through 2019-20
Santa Ana Unified School District

	ADA					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2015-16	16,266	12,082	7,512	14,097	49,957	51,383	94.17%
2016-17	15,312	11,761	7,383	14,051	48,507	49,792	93.61
2017-18[1]	14,233	11,417	7,351	14,019	46,790	48,326	87.59
2018-19[2]	13,747	10,940	7,081	13,811	45,578	46,904	83.16
2019-20[2]	13,346	10,621	6,874	13,409	44,250	45,553	83.15

[1] Based on Second Interim Report.
[2] Projected.
Source: The District.

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

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

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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 (i) to modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Revenue Limit Funding System. Prior to the implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

Revenue Sources

The District categorizes its general fund revenues into four sources:

SANTA ANA UNIFIED SCHOOL DISTRICT
Revenue Sources

Revenue Source	Percentage of Total District General Fund Revenues 2014-15	2015-16	2016-17	2017-18[1]
LCFF sources	75.5%	74.2%	77.1%	77.0%
Federal revenues	7.6	7.5	7.3	8.2
Other State revenues	14.1	15.9	13.8	13.8
Other local revenues	3.0	2.5	1.9	1.0

(1) Based on second interim financial results.
Source: The District.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. See "–State Funding of Education – Local Control Funding Formula" above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as All Students Succeed and Safe and Drug Free Schools.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are $3.48 per square foot for residential housing and $0.56 per square foot for commercial or industrial development. The following table sets forth developer fee collections by the District for the last five fiscal years and the projected developer fee collections for the current fiscal year.

Fiscal Year	Developer Fees Collected
2012-13	$1,080,021.76
2013-14	283,175.14
2014-15	259,456.93
2015-16	3,341,471.30
2016-17	2,272,103.16
2017-18[1]	3,500,000.00

[1] Projected
Source: The District.

District Investments

The County Treasurer manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the County Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. For further information about the County Treasury Pool, see "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL" herein and "APPENDIX E – ORANGE COUNTY INVESTMENT POLICY STATEMENT".

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 fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the District's financial statements follows. The audited financial statements for the District for the 2016-17 fiscal year are attached hereto as APPENDIX C. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District's audited financial statements for prior and subsequent fiscal years can be obtained by contacting Santa Ana Unified School District 1601 East Chestnut Avenue, Santa Ana, California 92701, telephone (714) 558-5501. The District may impose a charge for copying, mailing and handling.

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. See "DISTRICT FINANCIAL INFORMATION – General Fund" for more information regarding the District's financial statements for recent fiscal years.

Funds used by the District are categorized as follows:

Governmental Funds	Fiduciary Funds
General Fund	Trust and Agency Funds
Special Revenue Funds	Proprietary Funds
Debt Service Funds	Internal Service Funds
Capital Project Funds	

The general fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District and the Elementary District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Assistant Superintendent Business Services for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ending June 30, 2017 are attached hereto as APPENDIX C.

Comparative Financial Statements

The table on the following page describes the District's audited financial results for fiscal years 2012-13 through fiscal year 2016-17.

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SANTA ANA UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances for Fiscal Years 2012–13 through 2016–17

	2012–13 Audit	2013–14 Audit	2014–15 Audit	2015–16 Audit	2016–17 Audit
REVENUES					
Revenue Limit/LCFF Sources	$276,288,078	$353,361,762	$415,938,621	$489,808,998	$514,118,944
Federal Revenues	58,536,218	44,305,195	41,949,463	49,331,463	48,653,269
Other State Revenues	120,157,860	82,952,087	77,582,625	104,728,530	91,959,911
Other Local Revenues	11,740,706	9,793,407	16,471,758	16,265,250	12,388,475
Total Revenues	466,722,862	490,412,451	551,942,467	660,134,241	667,120,599
EXPENDITURES					
Current					
Instruction	313,096,361	314,024,938	347,934,786	384,608,091	398,546,112
Instruction related activities:					
Supervision of instruction	30,896,278	26,191,185	23,090,999	25,595,806	30,198,489
Instructional library, media and technology	3,781,688	3,738,413	3,712,430	4,109,270	4,392,830
School site administration	34,372,867	33,092,679	34,781,876	37,836,760	39,232,491
Pupil services:					
Home-to-school transportation	10,442,282	10,536,239	10,101,955	10,695,191	12,586,233
Food services	101,823	234,409	453,600	1,154,650	1,230,230
All other pupil services	22,930,110	22,790,308	24,918,745	29,010,966	31,327,504
Administration:					
Data processing	4,482,982	4,795,804	5,358,513	6,059,776	6,618,015
All other administration	20,743,943	18,990,435	23,447,924	39,963,950	36,301,364
Plant services	44,012,737	48,549,127	49,394,731	52,026,605	50,330,569
Facility acquisition and construction	946,508	676,980	4,931,678	3,237,174	3,993,861
Ancillary services	4,181,139	4,336,065	4,444,622	5,323,820	6,519,481
Community services	49,685	93,727	106,053	139,454	135,806
Other outgo	3,109,718	4,826,348	4,385,744	4,727,577	5,225,796
Enterprise services	—	—	—	3,250	7,516
Debt Service					
Principal	—	—	251,524	251,524	251,524
Interest and other	262,944	265,588	13,739	5,639	5,613
Total Expenditures	493,411,065	493,142,245	537,328,919	604,749,503	626,903,434
Excess (Deficiency) of Revenues Over Expenditures	(26,688,203)	(2,729,794)	14,613,548	55,384,738	40,217,165
OTHER FINANCING SOURCES (USES):					
Transfers In	100,000	—	—	—	—
Other sources – proceeds from facilities program loan	—	—	1,313,312	(7,977,961)	—
Transfers Out	(8,230,150)	(4,238,912)	(5,069,890)	—	(15,513,655)
Net Financing Sources	(8,130,150)	(4,238,912)	(3,756,578)	(7,977,961)	(15,513,655)
NET CHANGE IN FUND BALANCES	(34,818,353)	(6,968,706)	10,856,970	47,406,777	24,703,510
Fund Balances at Beginning of Year	84,250,733	49,432,380	42,463,674	53,320,644	100,727,421
Fund Balances at End of Year	$49,432,380	$42,463,674	$53,320,644	$100,727,421	$106,629,259[1]

[1] Ending fund balance does not include $23,855,909 on hand in Fund 20 (Special Reserve for Post-Employment Benefits) and other minor audit adjustment amounts.

Source: The District.

District Budgets

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect the District's operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 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 two fiscal years. 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. Each certification is based on then-current projections.

The District has filed positive certifications for each reporting period in the last five years.

The table on the following page sets forth the budgets as compared to the audited actual results of the District for fiscal years 2013-14 through 2016-17 as well as the adopted budget and the second interim report for fiscal year 2017-18.

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SANTA ANA UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING
Fiscal Years 2013–14 through 2017–18

	Adopted Budget 2013–14[1]	Audited Actuals 2013–14[1]	Adopted Budget 2014–15[1]	Audited Actuals 2014–15[1]	Adopted Budget 2015–16[1]	Audited Actuals 2015–16[1]	Adopted Budget 2016–17[1]	Audited Actuals 2016–17[1]	Adopted Budget 2017–18[2]	Second Interim Report 2017–18[2]
REVENUES										
LCFF Sources	$288,660,809	$353,361,762	$412,966,218	$415,938,621	$489,881,277	$489,808,998	$514,365,662	$514,118,944	$516,182,413	$515,542,461
Federal	40,580,292	44,305,195	37,913,877	41,949,463	43,165,152	49,331,463	43,962,920	48,653,269	43,047,097	55,010,457
Other State	118,497,545	82,952,087	58,431,716	77,582,625	54,224,631	104,728,530	77,624,666	91,959,911	81,750,394	92,415,791
Other Local	8,425,338	9,793,407	8,535,571	16,471,758	15,281,734	16,265,250	7,731,934	12,388,475	4,302,224	6,746,432
Total Revenues	456,163,984	490,412,451	517,847,382	551,942,467	602,552,794	660,134,241	643,685,182	667,120,599	645,282,128	669,715,141
EXPENDITURES										
Current										
Certificated Salaries	234,562,985	236,002,836	262,206,169	251,123,907	263,673,921	274,572,980	273,347,086	280,427,465	267,550,033	267,744,448
Classified Salaries	67,701,733	71,250,363	73,357,493	76,749,909	88,583,235	88,714,524	96,377,664	90,926,861	92,234,265	91,278,572
Employee Benefits	97,496,815	109,315,419	107,741,189	116,909,924	116,985,990	135,432,950	149,037,145	155,262,516	155,875,160	155,543,890
Books and Supplies	14,033,946	19,026,757	18,752,227	27,167,361	26,714,543	30,389,401	34,704,400	29,642,164	44,393,827	50,595,584
Services, Other Operating Expenses	51,227,048	52,613,257	54,174,347	53,384,998	72,286,689	68,589,470	67,064,905	61,858,510	59,743,351	74,351,675
Other Outgo	539,202	3,492,494	3,658,411	3,816,577	3,479,205	2,765,931	3,322,001	2,941,402	2,531,193	(286,836)
Capital outlay	2,184,983	1,175,531	3,820,128	7,910,980	3,761,898	4,027,084	4,956,827	5,587,379	6,712,113	10,256,976
Debt service–principal	1,250,223	—	—	251,524	—	251,524	251,524	251,524	—	—
Debt service –interest	76,532	265,588	—	13,739	—	5,639	—	5,613	—	—
Total Expenditures	469,073,467	493,142,245	523,709,964	537,328,919	575,485,481	604,749,503	629,061,552	626,903,434	629,039,942	652,480,905
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(12,909,483)	(2,729,794)	(5,862,582)	14,613,548	27,067,313	55,384,738	17,623,630	40,217,165	16,242,185	17,234,235
OTHER FINANCING SOURCES (USES)										
Transfers in	—	—	—	1,313,312	—	—	—		—	—
Transfers out	(7,415,526)	(4,238,912)	(4,739,935)	(5,069,890)	(7,647,235)	(7,977,961)	(6,828,416)	(15,513,655)	(11,027,665)	(22,074,270)
Total Financing Sources (Uses)	(7,415,526)	(4,238,912)	(4,739,935)	(3,756,578)	(7,647,235)	(7,977,961)	(6,828,416)	(15,513,655)	(11,027,665)	(22,074,270)
NET CHANGE IN FUND BALANCES	(20,325,009)	(6,968,706)	(10,602,517)	10,856,970	19,420,078	47,406,777	10,795,214	24,703,510	5,214,520	(4,840,034)
Fund Balance, July 1	49,432,380	49,432,380	42,463,674	42,463,674	53,320,644	53,320,644	100,727,421	100,727,421	90,327,282	106,629,259[3]
Audit adjustment	—	—	—	—	—	—	—	—	—	(5,054,236)
Fund Balance, June 30	$29,107,371	$42,463,674	$31,861,157	$53,320,644	$72,740,722	$100,727,421	$111,522,635	$125,430,931[3]	$95,541,802	$96,734,989

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[1] From the audited financial statement of the District for such fiscal year.
[2] From 2017–18 Second Interim Report.
[3] 2016–17 audited ending fund balance differs from 2017–18 Second Interim Report beginning fund balance because it includes Fund 20 (Special Reserves for Post-Employment Benefits) balance of $23,855,909 and other minor audit adjustments.
Source: The District.

State Budget

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriter, Bond and Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Bond and Disclosure Counsel nor the Underwriter assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.

2017-18 State Budget. On June 27, 2017, Governor Brown signed the budget for the State for fiscal year 2017-18 (the "2017-18 State Budget"). For the 2016-17 fiscal year, the 2017-18 State Budget increases revenues and transfers to $118.5 billion (up $3 billion from the 2016-17 State Budget) and revises expenditures downward approximately $1.1 billion from the 2016-17 State Budget to $121.4 billion.

The 2017-18 State Budget includes general fund revenues and transfers of $125.9 billion and expenditures of $125.1 billion with a $1.8 billion deposit to the Rainy Day Fund to bring the Rainy Day Fund balance to $8.5 billion. A supplemental payment to PERS of $6 billion through a loan from the Surplus Money Investment Fund is intended to reduce PERS' unfunded liabilities and stabilize the State's contribution rate to PERS. The 2017-18 State Budget expands the Earned Income Tax Credit by including self- employed individuals and expanding the income ranges for which the credit applies. Additionally, the 2017-18 Budget implements the Road Repair and Accountability Act of 2017 aimed at investing in transportation infrastructure repair and modernization.

With respect to K-12 education, total spending is projected to be $92.5 billion in 2017-18. The Proposition 98 minimum funding guarantee for 2017-18 is increased by $2.6 billion over the 2016-17 State Budget level to $74.5 billion. LCFF funding under the 2017-18 State Budget is increased by $1.4 million bringing the LCFF to approximately 97% of full funding.

Significant provisions of the 2017-18 State Budget effecting K-12 education are as follows:

- One-Time Discretionary Grants — $877 million Proposition 98 funds to provide school districts, county offices of education, and charter schools with discretionary resources for deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.

- After School and Education Safety (ASES) Program — $50 million Proposition 98 funds to increase provider reimbursement rates for the ASES program.

- California Educator Development Program — $11.3 million one-time federal Title II funds to assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high need subjects and schools.

- Classified School Employees Credentialing Program — $25 million one-time Proposition 98 funds, available for five years, to support recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers.

- Bilingual Professional Development Program — $5 million one-time Proposition 98 funds for one time competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.

- Charter School Facility Grant Program — An increase in the per student funding rate to $1,117 for the 2017-18 fiscal year and an ongoing COLA.

- County Office of Education Accountability Assistance — $7 million Proposition 98 funds to support county office LCAP review and technical assistance workload.

- California Equity Performance and Improvement Program — An increase of $2.5 million one-time Proposition 98 funds to support and promote equity.

- Refugee Student Support — $10 million one-time Proposition 98 Genera funds to provide services for refugee students transitioning to a new learning environment.

- California-Grown Fresh School Meals Grants — $1.5 million one-time Proposition 98 funds to incentivize the purchase of California-grown food by schools and expand the number of freshly prepared school meals.

- District of Choice Program Extension — A six-year extension of the District of Choice program (set to sunset in 2018) and additional oversight and accountability requirements.

Proposed 2018-19 State Budget. On January 10, 2018, Governor Brown announced his proposed budget for the State for fiscal year 2018-19 (the "Proposed 2018-19 State Budget"). Under the Proposed 2018-19 State Budget, revenues and transfers for 2017-18 are approximately $127 billion, an increase of approximately $1.1 billion over the 2017-18 State Budget as a result of increased personal income tax and sales tax receipts over projections. Expenditures in 2017-18 will total approximately $126.5 billion. The Proposed 2018-19 State Budget forecasts resources for 2018-19 at approximately $129.7 billion with $131 billion of expenditures. The Proposed 2018-19 State Budget prioritizes continued implementation of existing programs and fiscal prudence as economic conditions remain stable. The Proposed 2018-19 State Budget would make a supplemental transfer to the Rainy Day Fund of $3.5 billion (in addition to the $1.5 billion required deposit) to bring the Rainy Day Fund to maximum funding in order to mitigate possible future economic recession.

With respect to K-12 education, the Proposed 2018-19 State Budget includes record Proposition 98 funding of $78.3 billion, including $1.8 billion of discretionary one-time funds. Total per pupil funding from all sources is projected to reach $16,085 in 2018-19 (including certain settle-up payments) with Proposition 98 per pupil funding totaling $11,614, an increase of $465 over 2017-18. With respect to LCFF, the Proposed 2018-19 State Budget includes $3 billion to bring the LCFF to full funding two years earlier than initially projected.

Significant provisions of the Proposed 2018-19 State Budget relating to K-12 education are as follows:

- K-12 Component of the Strong Workforce Program—$212 million Proposition 98 Funds for K-12 CTE programs administered through the community college Strong Workforce Program in consultation with the Department of Education.

- COLA—$133.5 million Proposition 98 Funds to support a 2.51% COLA for categorical programs outside of the LCFF, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- Special Education—$125 million Proposition 98 Funds and $42.2 million federal Temporary Assistance for Needy Families (TANF) funds on a one-time basis for competitive grants to expand inclusive care and education settings for 0-5 year olds and improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs.

- State System of Support—$59.2 million Proposition 98 Funds for county offices of education and lead county offices of education to provide technical assistance to local educational agencies.

- California Collaborative for Educational Excellence ("CCEE")—$6.5 million Proposition 98 Funds for the CCEE to help build capacity within county offices of education to provide technical assistance and improve student outcomes and $11.3 million Proposition 98 Funds for the CCEE to work with county offices of education to provide assistance to school districts.

- County Offices of Education—$55.2 million Proposition 98 Funds to help county offices of education facilitate the improvement of school districts identified as being in need of differentiated assistance.

- SELPAS—$10 million ongoing Proposition 98 Funds for SELPAs to work with county offices of education to provide technical assistance to local educational agencies to improve student outcomes.

- Special Education Teachers—$100 million to increase and retain special education teachers.

- Early Education and Care—$167 million to increase the availability of inclusive early education and care for children aged 0 to 5 years old, especially in low-income areas and in areas with relatively low access to care.

- Educator Effectiveness Block Grant—$490 million one-time Proposition 98 Funds to support educator professional development.

- Classified School Employee Credentialing Grant Program—$45 million one-time Proposition 98 Funds to support at least 2,250 classified employees electing become certificated classroom teachers.

- Integrated Teacher Preparation Program—$10 million one-time non-Proposition 98 Funds to create pathways that allow university students to graduate with a bachelor's degree and a preliminary teaching credential within four years.

- California Educator Development Grant Program—$9 million one-time federal Title II funds for competitive grants that assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high-need subjects and schools.

- California Center on Teaching Careers—$5 million one-time Proposition 98 Funds to support statewide teacher recruitment and retention efforts.

- Bilingual Educator Professional Development Grant Program—$5 million one-time Proposition 98 Funds for competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.

- CalWORKs Stage 2 and Stage 3 Child Care—$5.2 million non-Proposition 98 Funds to reflect slight increases in the number of CalWORKs child care cases and slight decreases in the estimated cost of care.

The final State budget for fiscal year 2018-19, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2018-19 State Budget. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2018-19 State budget from the Proposed 2018-19 State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2018-19 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2018-19 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State–assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State–assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 46

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

Proposition 39

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

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% ad valorem tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

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

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in Rossi v. Brown, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in Rossi v. Brown by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 26

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

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of Steven White, et al. v. Gray Davis (as Governor of the State of California), et al. The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State 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. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Propositions 1A and 22

Proposition 1A (SCA 4) provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, 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 the LAO analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on other programs as a consequence of the passage of Proposition 22 was approximately $1 billion in fiscal year 2010–11, with an estimated immediate fiscal effect equal to approximately 1 % of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, would be an increase in the State's General Fund costs by approximately $1 billion annually for several decades.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers).

The revenues generated from the temporary tax increases has been included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are 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 are allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district received less than $200 per unit of ADA and no community college district received less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative ("Proposition 55") which extends the increase in personal income tax on the high-income taxpayers imposed under Proposition 30 to 2030. Proposition 55 did not extend the sales and use tax increase imposed under Proposition 30 which expired in 2016.

Proposition 51

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

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

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

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 ("Proposition 2"), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account ("BSA"). From fiscal year 2015–16 through 2029–30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 Public School System Stabilization Account (the "PSSSA") which serves as a reserve account for school funding in years when the State budget is smaller.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the State's Public School System Stabilization Account ("PSSSA"). In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 98"), a school district's adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. On June 30, 2017, the District had unassigned available reserves of $12,931,648. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98, 30, 51 and 55 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

SANTA ANA UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District, *the District's finances* and State funding of education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on all property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. *See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.*

Introduction

The District, established in 1888, is comprised of 24 square miles located in northern Orange County. The District serves the residents in the Cities of Santa Ana, Irvine, Newport Beach, Costa Mesa, Orange, Tustin and adjacent unincorporated areas of the County and provides education services in 36 elementary schools, nine middle schools and seven high schools. In addition, the District includes three educational options secondary schools, a deaf and hard of hearing center, two early education centers and an early learner childhood education special needs development center. The District also operates one charter school and there are four additional charter schools operating within the District. The ADA for the District for fiscal year 2017-18 is 46,790 students and the District has a 2017-18 assessed valuation of $31,158,190,791. The audited financial statements for the District for the fiscal year ended June 30, 2017 are attached as APPENDIX D hereto.

Board of Education

The District is governed by a Board. The Board consists of five members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

SANTA ANA UNIFIED SCHOOL DISTRICT
Board of Education

Name	Office	Term Expires December
Valerie Amezcua	President	2018
Rigo Rodriguez, Ph.D.	Vice President	2020
Alfonso Alvarez, Ed.D.	Clerk	2020
Cecilia Iglesias	Member	2020
John Palacio	Member	2018

Source: The District.

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 statements of the District may be obtained by contacting: Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California 92701-6322, Attention: Assistant Superintendent, Business Services. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of the District and brief biographies of certain District administrators follow.

Name	Title
Stefanie P. Phillips, Ed.D.	Superintendent
Edmond T. Heatley, Ed.D.	Deputy Superintendent, Administrative Services
Manoj Roychowdhury	Assistant Superintendent, Business Services
Orin L. Williams	Assistant Superintendent, Facilities & Governmental Relations

Dr. Stefanie P. Phillips – Superintendent. Dr. Phillips has served as Superintendent of the District since August, 2016. Prior to serving as Superintendent, Dr. Phillips served as Deputy Superintendent of Business & Operations, Chief Business Official of the District for three years. Prior to the District, Dr. Phillips served as Deputy Superintendent for the Clayton County Public Schools in Jonesboro, Georgia, where she had direct oversight for the Academic, Human Resources, Operations and Finance Divisions. She also previously served as the Deputy Superintendent and the Associate Superintendent of Chino Valley Unified School District and as an Assistant Superintendent of the Ontario-Montclair School District. Dr. Phillips received her Doctorate from the University of Southern California in Education Leadership. She received her Master of Business Administration in Finance and Bachelor of Science in Managerial Economics from the University of California, Davis. She has taught teacher preparation and leader preparation as an adjunct university professor.

Dr. Edmond T. Heatley – Deputy Superintendent, Administrative Services. Dr. Heatley has served as the Deputy Superintendent, Administrative Services of the District since December, 2016. Prior to the District, Dr. Heatley served as Commissioner of Education for the Bermuda Ministry of Education, as Superintendent and Chief Executive Officer of Clayton County Public Schools, Georgia and Chino Valley Unified School District and has served as an administrator for St. Louis Public Schools, Oceanside Unified School District, Grant Joint Union High School District and Clovis Unified School District. Dr. Heatley served on active duty in the United States Marines Corps. from 1983 to 1996 and was a member of the Marine Corps Reserves from 1996 to 2004. He has also served as an Adjunct Professor of Education at the University of Southern California, California State University, San Marcos and Old Dominion University in Norfolk, Virginia. Dr. Heatley earned a Bachelor's Degree in Curriculum and Instruction from Southern Illinois University, a Master of Science Degree from Old Dominion University in Special Education and a Doctorate of Education in Administration and Leadership at the University of Southern California.

Manoj Roychowdhury – Assistant Superintendent, Business Services. Mr. Roychowdhury was appointed the Assistant Superintendent Business Services of the District in October, 2017. Prior to serving the District, Mr. Roychowdhury served as the Assistant Superintendent, Business Services for El Rancho Unified School District and as Chief Fiscal Executive of West Covina Unified School District for five years. Mr. Roychowdhury has over 24 years of experience in finance, systems and consulting and has worked for the last 17 years in school business at the county and school district levels. Prior to his career in education, Mr. Roychowdhury worked for consulting firms including KPMG and Deloitte. Mr. Roychowdhury is a graduate of the Chief Business Official Mentor program, which is an interagency collaboration between the Fiscal Crisis & Management Assistance Team (FCMAT), CASBO, the California County Superintendents Educational Services Association, and School Services of California, Inc.

Orin L. Williams – Assistant Superintendent, Facilities & Governmental Relations. Mr. Williams has served as the Assistant Superintendent, Facilities & Governmental Relations of the District since July, 2015. Prior to the District he served as the Director of Maintenance and Operations at Riverside Unified School District and the Associate Vice Chancellor, Facilities, Planning and Development at Riverside Community College District. Mr. Williams has a total of 25 years of experience in public education facilities planning, construction and maintenance and has led capital facilities bond programs totaling over $1.6 billion. Mr. Williams is President-elect for the Southern California Chapter of the Association for Learning Environments (formerly the Council of Educational Facilities Planners International), a member of the Coalition for Adequate School Housing ("CASH"), and School Energy Coalition ("SEC"), and serves on various committees within CASH and SEC. Mr. Williams earned a Bachelor's Degree in Architecture from California State Polytechnic University, Pomona.

District Employees

The District employs approximately 2,644 full-time equivalent certificated academic professionals as well as approximately 1,800 full-time equivalent classified employees.

The certificated employees of the District have assigned the Santa Ana Educators; Association ("SAEA") as their exclusive bargaining agent. The contract among the District and SAEA expires on June 30, 2019.

The classified employees have assigned California School Employees Association and its Santa Ana Chapter 41 ("CSEA") as their exclusive bargaining agent. The contract among the District and CSEA expires on June 30, 2019.

Retirement System

The information set forth below regarding the District's retirement 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 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. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 16.28% of eligible salary expenditures, while participants contribute either 10.25 % or 9.205% of their respective salaries depending on their date of hire. The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay in 2017-18. The State's total contribution has also increased from approximately 3% in fiscal year 2013-14 to 6.328% of payroll, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, each school district's contribution rates will increase over a seven year phase in period in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

The District contributed $21,815,399 to STRS for fiscal year 2014-15, $28,047,946 for fiscal year 2015-16 and $34,020,809 for fiscal year 2016-17. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of $38,405,824 for 2017-18. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

The State made contributions to STRS on behalf of the District in the amount of $15,987,142 for fiscal year 2015-16 and $21,139,288 for fiscal year 2016-17. 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. Pursuant to A.B. 1469, the State contribution rate has increased over the last three years to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for fiscal year 2017-18, while participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries and participants enrolled in PERS subsequent to January 1, 2013 contribute at an actuarially determined rate which is currently set at 6.59% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years.

The District contributed $9,348,884 to PERS for fiscal year 2014-15, $10,680,160 for fiscal year 2015-16 and $12,902,202 for fiscal year 2016-17, which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution of $15,264,277 in 2017-18. Additionally, the District contributed $$313,139 to PERs Safety Risk Pool for fiscal year 2014-15, $371,309 for fiscal year 2015-16 and $403,287 for fiscal year 2016-17, which amounts equaled 100% of required contributions to PERS Safety Risk Pool. The District has budgeted a contribution of $487,886 to PERS Safety Risk Pool in 2017-18.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii)

PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2016.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2016
(Dollar Amounts in Millions) (1)

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$77,543	$55,784	($21,758)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	266,704	177,914	(96,728)

(1) Amounts may not add due to rounding.
Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See "—California Public Employees' Pension Reform Act of 2013" below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representation regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. 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 Employee's 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 to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. 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 (currently 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 and benefit base for members participating in Social Security or 120% for members not participating in social security, 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.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2017, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	$427,027,116
PERS	149,251,038
PERS – Safety Pool	2,506,207
Total	$578,784,361

Source: The District.

For further information about the District's contributions to STRS and PERS, see Note 14 in the District's audited financial statements for fiscal year ended June 30, 2017 attached hereto as Appendix C.

Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") was effective for the District for the fiscal year ending June 30, 2008.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, i.e., age and years with the District. Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units. On July 1, 2017, 751 retirees and their beneficiaries were receiving Health & Welfare Benefits with 4,067 employees earning service credit towards eligibility.

The following table shows the components of the District's annual Health and Welfare Benefits cost for the year, the amount actually contributed to fund Health and Welfare Benefits, and changes in the District's net Health and Welfare Benefits as of June 30, 2017.

Annual required contribution	$16,007,555
Interest on net OPEB obligation	3,003,374
Adjustment to annual required contribution	(3,366,375)
Annual OPEB cost (expense)	15,734,554
Contributions made	(19,567,518)
Increase in net OPEB obligation	(3,832,964)
Net OPEB obligation – July 1, 2016	55,618,044
Net OPEB obligation – June 30, 2017	$51,785,080

Source: The District.

Expenditures for post-employment healthcare benefits are recognized each pay period at a rate that approximates the amount of premiums paid. The District has completed an actuarial study of its Health and Welfare Benefits dated September 1, 2016. Based on that study, the District's Annual Required Contribution is $16,007,555 and its unfunded actuarial accrued liability ("UAAL") is approximately $177.4 million. The ratio of UAAL to covered payroll is 48%. During fiscal year 2017-18, the District set-aside $10,000,000 in a trust for Health and Welfare Benefits.

FUNDED STATUS
OTHER POST-EMPLOYMENT BENEFITS

Fiscal Year Ended (June 30)	Annual OPEB Cost	Actual Contribution	Percentage of Annual Cost Contributed	Net OPEB Obligation
2013	$12,289,010	$8,916,380	73%	$35,569,789
2014	15,570,927	7,645,044	49	43,495,672
2015	15,310,287	9,515,197	62	49,290,762
2016	16,758,432	10,431,150	62	55,618,044
2017	15,734,554	19,567,518	124	51,785,080

Source: The District.

Certain Existing Obligations

A schedule of the District's changes in long-term debt for the year ended June 30, 2017 is shown below:

SANTA ANA UNIFIED SCHOOL DISTRICT
Long-Term Debt

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General obligation bonds	$324,830,035	$8,387,782	$10,175,000	$323,042,817	$10,835,000
Premium on issuance	8,036,509	—	441,286	7,595,2232	—
Certificates of Participation	78,552,675	1,703,790	6,265,000	73,991,465	4,570,000
Premium on issuance	1,124,431	—	56,222	1,068,209	—
2002 QZAB	7,000,000	—	7,000,000	—	—
2005 QZAB	4,500,000	—	—	4,500,000	—
Lease Purchase Agreement	—	2,021,163	—	2,021,163	—
Career technical education facilities loan	810,264	—	251,524	558,740	251,524
Compensated absences	1,427,201	1,519,646	—	2,946,847	—
Claims liability	13,713,796	1,983,245	2,811,721	12,885,320	2,811,721
OPEB obligations	55,618,044	15,734,554	19,567,518	51,785,080	—
Total	$495,612,955	$31,350,180	$46,568,271	$480,394,864	$18,468,245

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Source: The District.

General Obligation Bonds

On November 2, 1999, the District received authorization to issue $145,150,000 principal amount of general obligations bonds (the "1999 Authorization"). Pursuant to the 1999 Authorization, the District issued its $56,320,000 General Obligation Bonds, Election of 1999, Series 2000 (the "Series 2000 Bonds"), its $38,000,000 General Obligation Bonds, Election of 1999, Series 2002 and its $50,828,155.60 General Obligation Bonds, Election of 1999, Series 2002B (the "Series 2002 Bonds"). The District also issued its $49,775,000 2009 General Obligation Refunding Bonds to refund a portion of the Series 2000 Bonds, its $12,290,000 2010 General Obligation Refunding Bonds and its $19,720,000 2012 General Obligation Refunding Bonds, each to refund a portion of the outstanding Series 2002 Bonds.

The District received authorization from the voters within the District to issue $200,000,000 aggregate principal amount of general obligation bonds pursuant to an authorization on June 3, 2008 (the "2008 Authorization"). On August 19, 2008, the District caused the issuance of its $99,997,856 Election of 2008 General Obligation Bonds, Series A (the "Series A Bonds"), on December 16, 2009, the District issued its $34,861,114.25 Election of 2008 General Obligation Bonds, Series B and its $19,240,000 Election of 2008 General Obligation Bonds, Series C (Qualified School Construction Bonds) and on December 13, 2010, the District issued its $8,591,011.05 Election of 2008 General Obligation Bonds, Series D, its $19,775,000 Election of 2008 General Obligation Bonds, Series E (Federally Taxable Direct–Pay – Build America Bonds), and its $17,535,000 Election of 2008 General Obligation Bonds, Series F (Federally Taxable Direct-Pay – Qualified School Construction Bonds) under the 2008 Authorization. No additional general obligation bonds remain for issuance under the 1999 Authorization or the 2008 Authorization, except for refunding bonds. The District intends to refund a portion of the Series A Bonds with proceeds of the Bonds.

Certificates of Participation

The District has three series of certificates of participation outstanding, including the 2007 Certificates intended to be prepaid from proceeds of its 2018 Refunding Certificates. On October 1, 1999, the District caused the execution and delivery of $17,691,700.20 principal amount of its 1999 Certificates of Participation (the "1999 Certificates") in order to finance the construction of two elementary schools. The 1999 Certificates have a final maturity date of April 1, 2037 and, as of June 30, 2017, were outstanding in the principal amount of $9,302,068.45.

On June 14, 2007, the District executed and delivered $29,725,000 aggregate principal amount of 2007 Certificates of Participation (the "2007 Certificates") in order to finance the acquisition and construction of certain infrastructure improvements and equipment and to refinance certain lease obligations. The District is currently undertaking the prepayment of the outstanding 2007 Certificates with proceeds of its 2018 Refunding Certificates. See "INTRODUCTION – Concurrent Borrowing" herein. Prior to the execution and delivery of the 2018 Refunding Certificates, the 2007 Certificates are outstanding in the amount of $21,070,000.

On December 5, 2012, the District caused the execution and delivery of its 2012 Certificates of Participation Qualified Zone Activity Bonds–Direct Payment Subsidy Option (Federally Taxable) in the principal amount of $30,000,000 (the "2012 Certificates") in order to finance certain facilities projects. The 2012 Certificates have a final maturity date of December 1, 2035 and, as of June 30, 2017, were outstanding in the principal amount of $24,980,000.

Lease Purchase Agreement. The District has entered into a Lease Purchase Agreement to finance various construction and modernization projects. The Lease Purchase Agreement matures December 1, 2026 and bears interest at a rate of 2.29%. As of June 30, 2017, the Lease Purchase Agreement was outstanding in the amount of $2,021,163, however, the total amount available to the District under the Lease Purchase Agreement is $15,000,0000 and subsequent to June 30, 2017, the District drew down the Lease Purchase Agreement in full.

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The annual lease payments with respect to the District's outstanding certificates of participation and Lease Purchase Agreement are as follows:

Year Ending June 30	1999 Certificates	2007 Certificates[1]	2012 Certificates	Lease Purchase Agreement	Total[2]
2018	—	$1,097,265.00	$1,099,742.50	$317,869.74	$2,514,877.24
2019	$2,295,000.00	1,497,265.00	2,342,755.00	1,503,880.61	7,638,900.61
2020	2,370,156.40	1,500,765.00	2,293,673.75	1,556,701.53	7,721,296.68
2021	2,443,121.90	1,513,125.00	2,244,380.00	1,607,752.82	7,808,379.72
2022	2,520,385.50	1,519,500.00	2,194,873.75	1,666,968.17	7,901,727.42
2023	2,602,473.30	1,534,300.00	2,145,155.00	1,724,192.68	8,006,120.98
2024	2,685,000.00	1,507,000.00	2,095,223.75	1,779,426.29	8,066,650.04
2025	2,765,049.00	1,504,700.00	2,045,080.00	1,802,867.81	8,117,696.81
2026	2,851,723.50	1,506,087.50	1,994,723.75	1,864,716.82	8,217,251.57
2027	2,938,332.80	1,505,900.00	1,944,155.00	1,924,353.69	8,312,741.49
2028	3,024,543.40	2,049,137.50	1,893,373.75	—	6,967,054.65
2029	3,115,000.00	2,047,187.50	1,837,430.00	—	6,999,617.50
2030	3,206,421.25	2,052,087.50	1,781,180.00	—	7,039,688.75
2031	3,296,417.45	2,048,312.50	1,719,555.00	—	7,064,284.95
2032	3,395,000.00	2,051,125.00	1,657,680.00	—	7,103,805.00
2033	993,534.95	2,050,000.00	1,599,080.00	—	4,642,614.95
2034	1,034,490.60	2,044,937.50	1,538,620.00	—	4,618,048.10
2035	1,071,953.40	2,045,937.50	1,477,640.00	—	4,595,530.90
2036	460,000.00	2,682,475.00	1,421,010.00	—	4,563,485.00
2037	—	2,925,950.00	—	—	2,925,950.00
Total	$43,068,603.45	$36,683,057.50	$35,325,331.25	$15,748,730.16	$130,825,722.36

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[1] Intended to be prepaid with proceeds of the 2018 Refunding Certificates.
[2] Does not include the 2018 Refunding Certificates.

Qualified Zone Activity Bond. In October, 2005, the District issued its $4,500,000 Qualified Zone Activity Bonds to finance capital improvements, equipment and educational development programs (the "QZAB"). The District is required to deposit $230,810 annually into an investment account through the maturity date of the QZAB on October 26, 2021. Interest earned on the deposits to the investment account are applied to pay the balance of the amounts due on the QZAB above the amount of the District's annual deposit.

Career Technical Education Facilities Loan. The District obtained a loan to finance certain start-up costs of its career technical education program. As of June 30, 2017, the balance on that loan was $558,740.

Short-Term Debt

As of June 30, 2016, the District did not have any short-term debt outstanding. The District does not expect to issue any tax and revenue anticipation notes in fiscal year 2017-18.

Insurance

The District self-insures for workers' compensation claims up to $1 million and has excess coverage through Alliance of Schools for Cooperative Insurance ("ASCIP"). The District also uses ASCIP for property and liability coverage up to $5 million. Excess property and liability coverage is provided through Schools Excess Liability Fund. Both ASCIP and SELF are joint powers authorities. The relationship between the District and the joint powers authorities is such that the joint powers authorities are not a component unit of the District for financial reporting purposes.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, The District believes that the recorded liabilities for self-insured claims are adequate.

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL

The County Board of Supervisors (the "Board") approved the current County Investment Policy Statement (the "Investment Policy") on November 14, 2017 (see Appendix E – ORANGE COUNTY INVESTMENT POLICY STATEMENT" or ocgov.com/ocinvestments). (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The Investment Policy applies to all funds managed by the County Treasurer as delegated by the Board including the Orange County Investment Pool, the Orange County Educational Investment Pool, the John Wayne Airport Investment Fund and various other small non-Pooled investment funds. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. The main investing objectives, in order of priority are: Safety, Liquidity and Yield.

Oversight of the investments is conducted in several ways. First, the Board established the County Treasury Oversight Committee (the "Committee") on December 19, 1995, pursuant to California Government Code Section 27130 et. seq. The Committee's primary responsibilities are as follows: to review and monitor the annual investment policy; cause an annual audit to be conducted to determine if the County Treasurer is in compliance with California Government Code Sections 27130 to 27137, and to investigate any and all irregularities in the treasury operation that are reported. The County Treasurer nominates the public members and the Board confirms the members of the Committee, which is comprised of the County Executive Officer, the County Auditor-Controller, the County Superintendent of Schools, and four public members. Next, the Auditor-Controller's Internal Audit Division audits the portfolio on a quarterly and annual basis pursuant to California Government Code Sections 26920 and 26922. Finally, an annual compliance audit is also conducted as required by California Government Code Sections 27134. All investment audit reports and the monthly Treasurer's Investment Report are available on-line at ocgov.com/ocinvestments. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

The District's funds held by the County Treasurer are invested in the Orange County Educational Investment Pool (the "Pool") which pools all of the District's funds. As of February 28, 2018, the balance in the District's funds was $271,418,528 or 9% of the Pool. The pool is invested 95% in securities rated in the two highest rating categories. As of February 28, 2018, the Pool has a weighted average maturity of 324 days and the year-to-date net yield is 1.40%.

The following represents the composition of the Pool as of February 28, 2018:

Type of Investment	Market Value (In thousands)	% of Pool
U.S. Government Agencies	$ 2,470,782	52.78%
U.S. Treasuries	1,393,735	29.77
Medium-Term Notes	375,424	8.03
Municipal Debt	282,589	6.04
Certificates of Deposit	101,947	2.17
Money Market Mutual Funds	24,203	0.51
Local Agency Investment Fund	32,938	0.70
Total	$ 4,681,618	100.00

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current County Investment Policy. The value of the various investments in the Pools 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 County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described therein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 290 days following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of material events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Within the past five years, the District failed to file certain information required to be filed in the annual report for fiscal year 2012-13, including its audited financial statements and certain required operating information, in a timely manner and failed to file notices of certain enumerated events in a timely manner, as required by its existing continuing disclosure obligations. The District has engaged Applied Best Practices, LLC to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge, a form of which is attached hereto as Exhibit A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as counsel to the Underwriter ("Underwriter's Counsel"). Bond

Counsel, Disclosure Counsel and Underwriter's Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that 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, 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, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds 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.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the Act require the County to annually levy ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual ad valorem taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in "APPENDIX E – ORANGE COUNTY INVESTMENT POLICY STATEMENT" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the District's Debt Service Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future ad valorem property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non–

recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the re-financing of specific capital projects and are supported by a consensual lien on ad valorem property taxes that are use-restricted to the repayment of the Bonds, the District believes that those taxes are "special revenues" as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition does not stay the application of those special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal and interest to Owners of the Bonds likely would continue under 11 U.S.C. §922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the District were to become a debtor in a Chapter 9 proceeding, the District believes that: the ad valorem property taxes could not be used for any other purpose other than repayment of the Bonds; the ad valorem property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus Owners of the Bonds would ordinarily continue to be paid post-petition; and the ad valorem property taxes are also protected by a statutory lien in favor of the bondholders. It should be noted, however, that it is possible – in the context of confirming a Plan of Adjustment (the "Plan") in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the Bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

The Resolution and the Government Code require the County to annually levy ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual ad valorem taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in "APPENDIX E – ORANGE COUNTY INVESTMENT POLICY STATEMENT" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the District's Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion respecting the Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

Interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit) will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation for taxable years beginning prior to January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds

The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder's basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under "TAX MATTERS." Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the "Premium Bonds"), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as Appendix A.

LEGALITY FOR INVESTMENT

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

RATINGS

Fitch Ratings ("Fitch") has assigned its municipal bond rating of "AAA" and Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "Aa3" to the Bonds. Such ratings reflect only the views of Fitch and Moody's and an explanation of the significance of such ratings may be obtained as follows: Fitch at 33 Whitehall Street, New York, New York 10004, tel. (212) 908-0800 and Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

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.

ESCROW VERIFICATION

The sufficiency of amounts on deposit in the Escrow Fund to pay the redemption price of the Refunded Series A Bonds will be verified by Causey Demgen & Moore, P.C., certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

UNDERWRITING

RBC Capital Markets, LLC has agreed to purchase the Bonds at the purchase price of $78,378,678.40 (reflecting the principal amount of the Bonds of $66,985,000.00 plus an original issue premium in the amount of $11,591,284.15 less an Underwriter's discount in the amount of $197,605.75), at the rates and yields shown on the cover hereof.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page. The initial public offering prices or yields may be changed from time to time by the Underwriter.

Underwriter Disclosures. RBC Capital Markets, LLC has provided the following information for inclusion in this Official Statement:

RBC Capital Markets, LLC and its affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC Capital Markets, LLC and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC Capital Markets, LLC and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBC Capital Markets, LLC and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBC Capital Markets, LLC and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of the offering of the Bonds or other offerings of the District; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

NO LITIGATION

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

OTHER INFORMATION

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 such documents and reports for full and complete statements of the contents thereof. Copies of the Resolutions are available upon request from the Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California 92701.

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 be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

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

SANTA ANA UNIFIED SCHOOL DISTRICT

By: /s/ Stefanie Phillips, Ed.D.
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

Board of Education
Santa Ana Unified School District
1601 East Chestnut Avenue
Santa Ana California 92701-6322

Re: $66,985,000,000 Santa Ana Unified School District 2018 General Obligation Refunding Bonds

Ladies and Gentlemen:

We have acted as bond counsel for the Santa Ana Unified School District, County of Orange, State of California (the "District"), in connection with the issuance by the District of $66,985,000 aggregate principal amount of the District's 2018 General Obligation Refunding Bonds (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), as amended and that certain resolution adopted by the Board of Education of the District on April 10, 2018 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and in reliance upon representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, when the Bonds are delivered to and paid for by the initial purchasers thereof, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. However, interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit) will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation for taxable years beginning prior to January 1, 2018.

In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

We express no opinion with respect to any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

Dannis Woliver Kelley

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APPENDIX B

SELECTED INFORMATION REGARDING
THE CITY OF SANTA ANA AND THE COUNTY OF ORANGE

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The District comprises only a portion of the County of Orange, and the Bonds are only payable from ad valorem property taxes levied on property in the District.

Introduction

The District is located in the City and the County. The City was incorporated on June 1, 1886 and the city charter adopted in 1952 establishing a council-manager form of government. The City is the County seat and the second largest city in the County, comprising approximately 27.3 square miles. The City Council is comprised of seven members consisting of the Mayor and six Councilmembers. Councilmembers are nominated from one of six geographic wards in the City and then elected citywide. The City Councilmembers serve a four-year term and are limited to three consecutive terms. The Mayor is directly elected at-large and has term limits of no more than four (4) two-year terms. The Mayor Pro Tem is nominated and elected from amongst the seated council.

The County, established in 1889 from a portion of Los Angeles County, is located in the southwestern portion of the state of California and is sandwiched between Los Angeles County to the north and San Diego County to the south. The Pacific Ocean borders the County to the west, including 42 miles of coastline, San Bernardino County borders the County to the north-east and Riverside County lies directly east of the County. The County comprises 789 square miles and is the third most populous county in the State and the sixth most populous county in the United States. The County is governed by a five-member Board of Supervisors, each representing a geographic area composed of approximately 600,000 residents. The five Supervisors are elected by the voters of their district to four-year terms.

Population

The following table shows historical population statistics for the cities in the County as well as the County since 2012.

POPULATION
Cities of the County and the County of Orange
Calendar Years 2012 through 2017

	2012	2013	2014	2015	2016	2017
Aliso Viejo	49,207	49,804	50,144	50,279	50,341	50,312
Anaheim	346,430	350,665	352,146	354,532	355,692	358,546
Brea	40,974	41,492	42,475	43,292	43,606	44,214
Buena Park	81,832	82,531	82,716	82,943	83,042	83,884
Costa Mesa	111,347	112,299	112,516	113,874	114,102	114,044
Cypress	48,524	48,945	49,162	49,356	49,535	49,655
Dana Point	33,510	33,488	33,496	33,509	33,643	33,699
Fountain Valley	55,872	56,194	56,519	56,657	56,730	56,709
Fullerton	138,198	139,333	140,805	141,377	141,918	142,234
Garden Grove	173,702	174,883	175,475	175,944	176,285	176,277
Huntington Beach	191,603	191,438	192,845	194,229	196,564	197,574
Irvine	224,962	233,182	244,281	251,470	257,181	267,086
Laguna Beach	23,091	23,307	23,371	23,453	23,509	23,505
Laguna Hills	30,536	30,628	30,665	30,698	30,736	31,544
Laguna Niguel	64,227	64,990	65,272	65,551	65,637	66,689
Laguna Woods	16,336	16,312	16,311	16,309	16,329	16,319
La Habra	61,007	61,365	61,721	61,905	62,003	62,084
Lake Forest	78,732	79,584	79,929	80,723	83,376	84,931
La Palma	15,768	15,919	15,953	15,986	16,006	15,984
Los Alamitos	11,570	11,629	11,691	11,706	11,741	11,739
Mission Viejo	94,137	94,645	94,948	95,939	96,763	96,718
Newport Beach	85,412	85,137	85,110	85,026	85,045	84,915
Orange	138,749	140,006	140,208	140,722	140,761	140,882
Placentia	51,193	51,826	51,894	52,055	52,292	52,268
Rancho Santa	48,237	48,375	48,464	48,575	48,636	48,602
San Clemente	64,600	65,181	65,364	65,754	65,904	65,975
San Juan Capistrano	35,038	35,284	35,732	35,935	36,118	36,262
Santa Ana	330,932	335,356	337,201	339,591	339,997	341,341
Seal Beach	24,528	24,777	24,832	24,881	24,924	24,890
Stanton	38,718	39,119	39,225	39,401	39,560	39,611
Tustin	77,271	79,229	79,485	80,635	82,015	82,372
Villa Park	5,874	5,904	5,918	5,926	5,945	5,944
Westminster	91,422	92,450	92,771	93,083	93,375	93,533
Yorba Linda	65,869	66,489	66,892	67,329	67,632	67,890
Balance of County	120,046	120,840	121,546	123,731	125,209	125,792
County Total	2,949,408	2,981,766	3,005,537	3,028,645	3,046,943	3,068,232

Based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State.
Source: California State Department of Finance.

Employment

The table below provides the California Employment Development Department's estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry in the County from calendar years 2012 through 2016.

WAGE AND SALARY EMPLOYMENT
County of Orange
Calendar Years 2012 through 2016[1]

Industry Category	2012	2013	2014	2015	2016
Mining and Logging	600	600	700	600	500
Construction	72,900	78,400	83,100	91,700	96,900
Manufacturing	158,300	158,000	157,400	157,000	156,400
Transportation, Warehousing & Utilities	28,000	27,500	26,500	26,900	27,600
Wholesale Trade	77,200	79,400	80,900	80,800	80,800
Retail Trade	144,000	145,500	148,500	151,500	152,200
Financial Activities[2]	108,300	113,100	113,600	116,100	117,400
Professional and Business Services	260,600	267,300	276,600	286,600	296,200
Educational and Health Services	177,000	186,000	190,800	198,800	203,700
Leisure and Hospitality	180,600	187,800	194,500	203,800	211,800
Other Services	44,600	45,600	47,300	48,900	50,300
Government	147,900	148,700	152,200	156,400	160,100
Total Nonagricultural[3]	1,424,300	1,462,800	1,496,600	1,544,500	1,579,800

(1) All figures are based on a March, 2016 benchmark.
(2) Includes finance, insurance, and real estate.
(3) Figures may not add to total due to independent rounding.
Source: State of California Employment Development Department, Labor Market Information Division.

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The following table summarizes the labor force, employment and unemployment figures for the County, the State and the United States from 2012 through 2016.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT[1]
County of Orange, State of California and United States
2012 through 2016

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[2]
2012				
Orange County	1,562,100	1,439,300	122,900	7.9%
California	18,519,000	16,589,700	1,929,300	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
Orange County	1,565,300	1,462,400	102,900	6.6
California	18,596,800	16,933,300	1,663,500	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
Orange County	1,572,000	1,485,700	86,200	5.5
California	18,726,400	17,474,600	1,251,800	6.7
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
Orange County	1,588,700	1,518,000	70,700	4.4
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
Orange County	1,602,400	1,538,000	64,300	4.0
California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9

(1) Data reflects employment status of individuals by place of residence.
(2) Unemployment rate is based on unrounded data.
Source: California State Employment Development Department and U.S. Department of Labor.

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Personal Income

The following tables show the personal income and per capita personal income for the County, the State of California and the United States from 2012 through 2016.

PERSONAL INCOME
County of Orange, State of California, and United States
2012–2016

Year	County of Orange	California	United States
2012	$169,583,534	$1,838,567,162	$13,904,485,000
2013	166,369,802	1,861,956,514	14,068,960,000
2014	174,586,467	1,977,923,740	14,801,624,000
2015	188,471,529	2,103,669,473	15,463,981,000
2016	196,920,661	2,197,492,000	16,017,781,000

Note: Dollars in Thousands
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[1]
County of Orange, State of California, and United States
2012–2016

Year	County of Orange	California	United States
2012	$54,972	$48,369	$44,282
2013	53,451	48,570	44,493
2014	55,699	51,134	46,464
2015	59,708	53,949	48,190
2016[2]	62,071	55,987	49,571

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

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Major Employers

The following table sets forth the major employers in the County in 2017 in alphabetical order.

MAJOR EMPLOYERS
County of Orange
2017

Employer	Location	Product/Service
Allergan Inc.	Irvine	Drug manufacturers
American Funds	Irvine	Financial Advisory Services
Auto Club of Southern California	Costa Mesa	Automobile Services
Boeing Company	Seal Beach	Aerospace Industries
Broadcom Corporation	Irvine	Semiconductors & related devices
California State University-Fullerton	Fullerton	University
Children's Hospital of Orange County	Orange	Hospital
Disneyland	Anaheim	Amusement & Theme Park
Edwards Lifesciences Corporation	Irvine	Biotechnology Products & Services
Emplicity	Irvine	Business Services
First American Title Insurance Company	Santa Ana	Title Corporation
Hoag Memorial Hospital Presbyterian	Newport Beach	Hospital
James R. Glidewell Dental Ceramics, Inc.	Irvine	Dentist
Jones Lang La Salle	Brea	Real Estate Management
Kaiser Permanente Anaheim	Anaheim	Hospital
California Department of Media Relations	Anaheim	State Government
Multi-Fineline Electronix Inc.	Irvine	Electronic Equipment & Supplies Manufacturer
Raytheon Company	Fullerton	Navigation Systems/Instruments
St. Joseph Hospital	Orange	Hospital
University of California Irvine Medical Center	Orange	
University of California, Irvine	Irvine	University
US Healthcare Services	Seal Beach	Health & Allied Services
Verizon Wireless	Irvine	Cellular Telephone
Walt Disney Parks and Resorts	Anaheim	Amusement & Theme Parks

Source: County of Orange 'Comprehensive Annual Financial Report' for the year ending June 30, 2016.

Commercial Activity

A summary of taxable sales within the County for years 2011 through 2015 is shown in the following table. Taxable sales for 2016 are not yet available.

TAXABLE SALES
County of Orange
2011–2015
(Dollars in Thousands)

Year	Retail and Food Permits	Retail and Food Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2011	58,795	$35,587,795	92,207	$51,731,139
2012	60,273	38,372,456	93,183	55,230,612
2013	62,208	40,025,929	94,862	57,591,217
2014	65,291	41,288,537	97,943	60,097,128
2015	67,939	41,589,926	110,717	61,358,087

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)" – California State Board of Equalization.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2012 through 2016 are shown in the following tables for the County and the City.

BUILDING PERMIT VALUATIONS
Orange County
2012–2016

	2012	2013	2014	2015	2016
Valuation ($000's)					
Residential	$1,554,904	$2,596,543	$2,633,471	$2,826,883	$3,151,640
Non-Residential	1,271,035	1,578,467	2,000,168	2,203,105	2,495,687
Total	$2,825,939	$4,175,009	$4,633,639	$5,029,988	$5,647,327
Units					
Single Family	2,438	3,889	3,646	3,667	4,226
Multiple Family	3,725	6,564	6,990	7,230	7,908
Total	6,163	10,453	10,636	10,897	12,134

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

BUILDING PERMIT VALUATIONS
City of Santa Ana
2012–2016

	2012	2013	2014	2015	2016
Valuation ($000's)					
Residential	$63,427	$12,233	$29,894	$91,899	$48,386
Non-Residential	79,073	55,834	101,952	53,993	95,192
Total	$142,499	$68,067	$131,847	$145,891	$143,579
Units					
Single Family	15	23	67	27	139
Multiple Family	393	0	24	438	70
Total	408	23	91	465	209

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

Transportation

Transportation within and without the County is available by car, train, bus and air. Orange County Transportation Authority ("OCTA") is responsible for transportation efficiency and improvements within the County. The Santa Ana Freeway, Interstate 5, provides direct access to downtown Los Angeles and connects to the San Diego Freeway, Interstate 405, southeast of the City providing access to San Diego and the southern portion of the State. The Garden Grove Freeway, State Route 22, and the Riverside Freeway, State Route 91 run east and west through the County connecting the San Diego Freeway, the Santa Ana Freeway and the Newport Freeway, State Route 55. The Newport Freeway provides access within the County to the coast and beach cities. In addition to the freeways, there are several toll roads in the County serving to reduce traffic and increase transportation efficiency.

Rail freight service through the County is provided by Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger rail service through the County and to surrounding counties and the State. Metrolink also provides local passenger train service to neighboring counties and Greyhound Bus lines provides bus service. Air transportation is provided by John Wayne Airport located in unincorporated County between Costa Mesa, Irvine and Newport Beach. Ten commercial airlines provide service to passengers at John Wayne Airport providing primarily short to medium haul flights.

APPENDIX C

SANTA ANA UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2017

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SANTA ANA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SANTA ANA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Governing Board
Santa Ana Unified School District
Santa Ana, 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 Ana Unified School District (the District) as of and for the year ended June 30, 2017, 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 2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Ana Unified School District, as of June 30, 2017, 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 18, budgetary comparison schedule on page 82, schedule of other postemployment benefits funding progress on page 83, schedule of the District's proportionate share of net pension liability on page 84, and the schedule of District contributions on page 85, 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 Ana 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 Schedule of Expenditures of Federal Awards and other 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 13, 2017, on our consideration of the Santa Ana 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 Ana 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 Ana Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

This section of Santa Ana 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, 2017, with comparative information for the year ended June 30, 2016. 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. 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 Ana Unified School District.

BOARD OF EDUCATION
Valerie Amezcua, President • Rigo Rodriguez, Ph.D., Vice President
Alfonso Alvarez, Ed.D., Clerk • John Palacio, Member • Cecilia "Ceci" Iglesias, Member

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 separate the District activities as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary 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 District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity. The District's fiduciary activities are reported in the Statement of Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $353,597,760 for the fiscal year ended June 30, 2017, reflecting an increase of 14.7 percent since June 30, 2016. Of this amount, $141,102,128 was restricted. 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	
	2017	2016
Assets		
Current and other assets	$ 343,754,944	$ 320,926,603
Capital assets	1,026,766,213	1,014,882,485
Total Assets	1,370,521,157	1,335,809,088
Deferred Outflows of Resources	137,410,584	118,205,602
Liabilities		
Current liabilities, including current portion of long-term obligations	71,005,086	82,195,796
Long-term obligations	480,394,864	495,612,955
Aggregate net pension liability	578,784,361	470,754,855
Total Liabilities	1,130,184,311	1,048,563,606
Deferred Inflows of Resources	24,149,670	97,130,041
Net Position		
Net investment in capital assets	697,858,055	677,648,499
Restricted	141,102,128	126,264,888
Unrestricted	(485,362,423)	(495,592,344)
Total Net Position	$ 353,597,760	$ 308,321,043

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased to $(485,362,423) compared to $(495,592,344).

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 20. 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	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 2,834,549	$ 2,694,596
Operating grants and contributions	169,012,131	151,745,400
Capital grants and contributions	236,844	117,680
General revenues:		
Federal and State aid not restricted	390,117,938	398,865,212
Property taxes	175,776,682	155,120,170
Other general revenues	35,729,250	52,121,851
Total Revenues	773,707,394	760,664,909
Expenses		
Instruction	429,275,696	408,178,037
Instruction-related	78,041,419	70,157,337
Pupil services	86,450,833	80,949,628
Administration	46,624,264	49,754,567
Plant services	56,081,863	55,910,599
Interest on long-term obligations	19,830,059	21,543,431
Other	12,126,543	10,422,120
Total Expenses	728,430,677	696,915,719
Change in Net Position	$ 45,276,717	$ 63,749,190

Governmental Activities

As reported in the Statement of Activities on page 20, the cost of all of our governmental activities this year was $728,430,677. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $175,776,682 because the cost was paid by those who benefited from the programs $(2,834,549) or by other governments and organizations who subsidized certain programs with grants and contributions $(169,012,131). We paid for the remaining "public benefit" portion of our governmental activities with $425,847,188 in 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 functions: instruction, instruction-related programs, pupil services, administration, plant services, and interest on long-term obligations, and all other functional expenses. 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	
	2017	2016	2017	2016
Instruction	$ 429,275,696	$ 408,178,037	$ 336,925,375	$ 322,000,933
Instruction-related	78,041,419	70,157,337	62,301,563	56,901,501
Pupil services	86,450,833	80,949,628	35,729,793	35,664,732
Administration	46,624,264	49,754,567	41,622,686	44,680,850
Plant services	56,081,863	55,910,599	55,563,788	55,394,355
Interest on long-term obligations	19,830,059	21,543,431	19,830,059	21,543,431
Other	12,126,543	10,422,120	4,373,889	6,172,241
Total	$ 728,430,677	$ 696,915,719	$ 556,347,153	$ 542,358,043

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $242,764,265, which is an increase of $31,969,195 from last year (Table 4).

Table 4

	Balances and Activity			
	June 30, 2016	Revenues	Expenditures	June 30, 2017
General Fund	$ 100,727,421	$ 667,120,599	$ 642,417,089	$ 125,430,931
Special Reserve Fund for Capital Outlay Projects	9,460,403	26,820,193	22,835,854	13,444,742
Charter School Fund	–	3,091,459	2,696,470	394,989
Child Development Fund	98,942	5,402,195	5,255,857	245,280
Cafeteria Fund	22,784,909	43,873,204	43,461,532	23,196,581
Deferred Maintenance Fund	718,660	4,019,396	2,419,465	2,318,591
Building Fund	4,195,875	36,052	145,004	4,086,923
Capital Facilities Fund	13,780,483	8,970,104	3,627,350	19,123,237
County School Facilities Fund	26,676,736	711,173	16,751	27,371,158
Capital Projects Fund for Blended Component Units	828,640	8,964	233,500	604,104
Bond Interest and Redemption Fund	21,223,061	21,258,463	19,939,278	22,542,246
Debt Service Fund for Blended Component Units	10,299,940	7,500,266	13,794,723	4,005,483
Total	$ 210,795,070	$ 788,812,068	$ 756,842,873	$ 242,764,265

The primary reasons for changes are:

a. The General Fund showed an increase of $24.7 million.

b. The Capital Facilities Fund showed an increase of $4 million.

c. The Deferred Maintenance Fund showed an increase of $1.8 million.

d. The Capital Facilities Fund showed an increase of $5.6 million.

e. The Bond Interest and Redemption Fund showed an increase of $1.3 million.

f. The Debt Service Fund for Blended Component Units showed a decrease of $6.3 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 27, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 82.)

The key differences between the original budget, final budget, and actual results is attributable to:

- Re-allocation of categorical program carryover from the prior year, and
- Adjusted revenue and expenditures to project spending amounts and carryovers for current year.

As has been the practice of the District, Santa Ana Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget does not include revenues or expenditures related to categorical carryover, while the final budget and actual results reflects these carryovers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $1,026,766,213 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 $11,883,728, or 1.2 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in progress	$ 271,178,723	$ 238,778,347
Buildings and improvements	748,748,109	768,016,372
Furniture and equipment	6,839,381	8,087,766
Total	$ 1,026,766,213	$ 1,014,882,485

This year's additions of $11.9 million (see Note 5) included several completed construction projects for modernization, new construction, and QZAB solar.

Several capital projects are planned for the 2017-2018 year. 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 $490,394,864 in long-term obligations versus $495,612,955 last year. The obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	$ 330,638,040	$ 332,866,544
Certificates of participation - net	75,059,674	79,677,106
Qualified zone academy bonds	4,500,000	11,500,000
Construction loan	2,021,163	-
Career Technical Education facilities program loan	558,740	810,264
Compensated absences	2,946,847	1,427,201
Claims liability	12,885,320	13,713,796
Other postemployment benefits	51,785,080	55,618,044
Total	$ 480,394,864	$ 495,612,955

The State limits the amount of general obligation debt that unified school districts can issue to two and one-half percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $330.6 million is significantly below the statutorily-imposed limit.

Other obligations include certificates of participation, qualified zone academy bonds, compensated absences, other postemployment benefits, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $578,784,361, as a result of the adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 ARE NOTED BELOW:

I3 Grant Proposal Awarded

- Proposition 47 Grant Submitted
- Suspension Rate Reduction (CDE Dashboard) Green
- Graduation Rate Increase (CDE Dashboard) Green
- Early College Enrollment Increase
- 4 Gold Ribbon Elementary Schools (Awarded)
- MCHS and MacArthur Intermediate School (Gold Ribbon Applications and Visits)
- CDE Model SARB Recognition Program Award – 2017

- PBIS SILVER AWARDS 2016
  - Lincoln Elementary School
  - Franklin Elementary School
  - Fremont Elementary School
  - Heroes Elementary School
  - Kennedy Elementary School
  - Mendez Fundamental School
  - Pio Pico Elementary School
  - REACH Academy
  - Davis Elementary School
  - Wilson Elementary School
- REACH New WASC Accreditation
- Chavez WASC Accreditation
- Valley WASC Accreditation
- Truth2Power student engagement event
- Monthly arts collaboration w/ Santa Ana Artwalk, including Almas Soñadoras event with over 2300 student artists
- Creation of Speech & Debate tournament series – 22 students to nationals, programs at all intermediate schools and 2 elementary campuses
- Inaugural year at SanArts – master courses offerings in all five disciplines, addition of new courses and pathways in dance, music, theater, visual art, cinematic arts, etc.
- VAPA Feeder Pathways at Heninger ES
- Authorization of Saddleback HS as an IB World School
- Creation of 21st Century livestream programming (i.e. Santa Ana En Vivo, Science Kitchen, 21C Live Show, etc.)
- CTE – JPL Internships (For the 3rd year JPL will be hosting some of our highest performing students in STEM. This year JPL will host 7 students.)
- Santa Ana High Automotive program has been NATEF/ASE Certified
- Valley Automotive has qualified for nationals with the American Hotrodders Association
- Valley High School's Health Sciences and Medical Pathway, 11th grade student, Cindy Ho, placed 4th in the California Health Occupation Student Association (HOSA) "Individual Medical Spelling/Terminology Competition"
- Valley High School's' Culinary Pathway students placed 2nd (out of 18 teams from across the state) ProStart Restaurant Management Competition that was held at the Fairplex in Pomona on March 20th
- Paso a Paso implementation, increase reading
- "Access for All" implementation completed – all students grades 3-12 access to a mobile device, including refresh of technology for Willard and Sierra (40,520 mobile devices in 3 years)
- "Wi-Fi for All" expanded through ConnectEd grant – 1000 additional hotspots for student checkout to expand student access to internet at home
- Recipient of Sprint 1 Million Project Grant, to expand Wi-Fi access to high school students at home – 4100 wireless access devices awarded
- Kaltura video hosting and editing program implemented to expand access to multimedia resources
- Expansion of student and staff use of Google Apps – over 2 million docs created, over 8 million file uploads
- OCCUE Technology Festival – over 500 teachers in attendance at Mendez

- 2nd annual Digital Citizenship Academy for Parents – over 150 parents participating, monthly parent technology workshops
- Programming opportunities with Sphero in grades 3-5
- Willard and Sierra Turnaround Arts
- AVID Showcase at Thorpe (only showcase in Southern California)
- LIFEvest – Completion of one-week Summer Financial Literacy Institute by 60 8th grade students
- Makerspace at Roosevelt – Behr and Heart of America Partnership
- National History Day Competition – Students competed at state level
- Reading Academy Certification (197 teachers)
- CA Math Science Partnership with Cal State Fullerton and Science@OC for NGSS elementary teachers (80 teachers completed)
- District-Wide Coding Classes at all Intermediate Schools
- College capstones added to CTE Pathways
- Instituted Preschool Parent STEM Academy (30 parents)
- Promise Program Results:
  - Increase of 372 SAUSD students Registered at First Census
  - Increase of 428 SAUSD student Completed the semester
  - Increase of 37 percent (234 students) in the number of students enrolled in college level math course
  - Increase of 27.5 percent (126 students) in the number of students completing Math 100
  - Increase of 19.4 percent (49 students) in the number of successful completions
  - Increase of 63.4 percent (355 students) in the number of students enrolled in an English 100 course
  - Increase of 53.8 percent (247 students) in the number of students completing an English course
  - Increase of 38.4 percent (114 students) in the number of students successfully completing English
- NWEA MAP Write2Win competition
- Expansion of exemplary Inclusive Practices
- Implementation of an Online Interactive Curriculum
- Approval by California Department of Education on Special Education Performance Indicators
- Special Olympics Hosts
- Wheelchair Tennis for students
- Engage 360° staff received professional development on how to incorporate Footsteps 2 Brilliance in the after school program
- Engage 360° sites provided six (6) parent engagement opportunities (e.g, Family Literacy and STEM nights) with 6,706 parent participants (Increase of 3,102 more participants than 2015-2016)
- 99 percent of parents feel their children are safe in the Engage 360° program
- Winter Posada Event collaboration with ASSETS, Culinary Arts, Falcon Parents and Performing Arts Department (Valley)
- ASSETs at Santa Ana HS graduated a total of 65 parents for Phase 1 and 48 parents for Phase 2 of Disciplina Positiva
- Rosetta Stone English classes hosted by Valley ASSETs
- Segerstrom ASSETs had 65 parents participate in the Disciplina Positiva program
- Godinez ASSETs had over 100 parents attend the PIQU Parent Literacy Program

- SHBS ASSETs had 35 parents graduated and completed the from NIU technology course. In an unprecedented move to push the maximum utilization of technology, NIU along with the support of its school district partners, simultaneously broadcasted the graduation of parents from the NIU Program in Santa Ana, Inglewood and Orange.
- The SBHS ASSETs Program was able to sponsor 45 students to attend an overnight campus college tour of four campuses during spring recess. Students attended Pepperdine University, CS Channel Islands, Cal Poly San Luis Obispo and UC Santa Barbara. 95 percent of the students who attended the educational field trip had never visited a college campus or had the opportunity to explore California's central coast.
- ASSETs SBHS hosted a one-day college tour for 50 students to UC San Diego
- ASSETs hosted spring break college field trips for approximately 125 students to UC Riverside, UC San Diego, UCLA, Cal Poly Pomona,
- Partnership with Higher Ed Coordinator helped 94 percent of seniors complete financial aid applications during College Late Nights
- In partnership with Saddleback HS Higher Education Center Coordinator, the SBHS ASSETs Program was able to award Monica Sanchez $500 scholarship for her commitment and leadership to both the school and program. Monica will be attending UC Santa Barbara this fall.
- Engage 360° provided a 10-week RBI Baseball/Softball season for 21 intermediate teams with 233 students
- Engage 360° had 1,039 students access FEV online 1:1 tutoring for a total of 5,450 tutor hours
    - FEV Tutor participants achieved 98 percent of their growth goals in Math (7.10 out of 7.25 RIT growth points achieved) and 102 percent of their growth goals in Reading (7.45 out of 7.31).
    - Students who attended 20 – 30 online tutoring sessions over the course of the year demonstrating an average of +12 RIT point growth in Reading and +8 RIT point growth in Math from Fall to Spring.
- 94 percent of Engage 360° students looked forward to the enrichment services offered by the community providers (Toyama Karate, Active Learning, Discovery Cube, OCCTAC, Boys & Girls Club, Mariachi)
- Dia de los Muertos Event collaboration with ASSETS, Performing Arts departments, Foreign Language Department and Culinary Arts Academy (Valley)
- SAHS ASSETs & Heninger Engage 360° Partnership– Halos Student Leaders walk over to Heninger Elementary to work with underclassmen to provide tutoring services and serve as mentors to future Saints.
- ASSETs Segerstrom Held the Guest Service Gold workshops for students to help prepare them for a career in customer service, with 28 students certified as Guest Service Professionals.
- Godinez ASSETs started an edible garden with OCDE partnership
- Athletic Tutorials:
    - SHBS ASSETs was able to service the following sports and teams to maintain student athletes 2.00 GPA eligibility year round: Boys JV/V Baseball, JV/V Football, Girls and Boys Varsity Volleyball, Cheer, Dance, JV Softball and JV/V Boys Basketball
    - Segerstrom ASSETs launched the Athletic Tutorial program to serve student athletes with academic support. Served about 35 students a week from Boys Basketball, Boys Soccer, Girls Lacrosse, Girls Soccer and Baseball.

- The ASSETs program had 231 students complete the Workforce Readiness Education Program (WREP), including 7 workshops to develop employability skills and increase their ability to access internship opportunities – collaborative efforts between CTE, Extended Learning/ASSETs and THINK Together.
- All Elementary Engage 360° students participated in the Stop & Think program (social skill development).
- All Intermediate Engage 360° staff were training in restorative practices
- Students who attended the ASSETs program at least 60 days or more demonstrated the following results on the SEL Climate survey:
  - How carefully did you listen to others people's point of view? –After School Program (ASP) 73 percent compared to School 69 percent => 4 percent
  - How often did you compliment others accomplishment? –ASP 63 percent compared to School 55 percent => 8 percent
  - How clearly were you able to describe your feelings? –ASP 47 percent compared to School 37 percent => 10 percent
  - When others disagreed with you, how respectful were you of their views? –ASP 72 percent compared to School 65 percent => 7 percent
  - To what extent were you able to disagree with others without starting an argument? –ASP 53 percent compared to School 47 percent => 6 percent
- 93 percent of students feel safe in the Engage 360° program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2017-2018 budget was adopted according to the statute prior to June 30, 2017. The District's revenue and expenditure projections are reflective of the Governor's May Revise Budget Proposal. In considering the District Budget for the 2017-2018 year, the Board of Education and District Management used the following criteria:

Revenue:

1. The District's major source of income is from the Local Control Funding Formula (LCFF). LCFF funding consists of Base, Supplemental, and Concentration grants, as well as Targeted Instructional Improvement Block Grant and Home-to School Transportation add-on programs.
2. Projected declining enrollment of -1300
3. Projected funded ADA of 48,552.74 to calculate LCFF funding
4. LCFF Gap funding of 43.97 percent
5. Statutory COLA of 1.56 percent
6. Unduplicated count of 93.80 percent
7. LCFF Transfers to Deferred Maintenance Fund
8. Increased contribution to Ongoing and Major Maintenance Account
9. Removal of One-time Funds for Outstanding Mandate Claims
10. Mandated Block Grant

Expenditures were based on the following:

1. Staffing reductions for certificated, classified, and management due to the expected increase in ongoing district costs as well as declining enrollment to maintain fiscal solvency
2. Increased costs for STRS/PERS rates; Health and Welfare
3. Increased Special Education costs
4. Removal of one-time expenditures as well as a reduction in E-Rate infrastructure funding
5. Removal of carryover, however, it will be budgeted when the actual amounts are known
6. Removal of interfund transfers to Health Benefits Authority (HBA), Debt Service Fund, Charter Schools Special Revenue Fund, Special Reserve Fund for Capital Outlay Projects, Special Reserve Fund for Postemployment Benefits, and Self-Insurance Fund

Staffing ratios:

	Staffing Ratio	Enrollment
Transitional Kindergarten	29:1	861
Kindergarten	29:1	3,208
Grade one	29:1	3,542
Grade two	29:1	3,441
Grade three	29:1	3,468
Grades four through five	29:1	7,872
Grades six through eight	35:1	11,533
Grades nine through twelve	36:1	14,170

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Santa Ana Unified School District, 1601 East Chestnut Avenue, Santa Ana, California, 92701-6322.

SANTA ANA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

		Governmental Activities
ASSETS		
Deposits and investments	$	303,072,589
Restricted assets, investments		
Receivables		39,044,787
Prepaid expenses		237,186
Stores inventories		1,400,382
Capital Assets		
Land and construction in process		271,178,723
Other capital assets		975,452,954
Less: accumulated depreciation		(219,865,464)
Total Capital Assets		1,026,766,213
Total Assets		1,370,521,157
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		474,521
Deferred outflows of resources related to pensions		136,936,063
Total Deferred Outflows of Resources		137,410,584
LIABILITIES		
Accounts payable		48,409,631
Accrued interest payable		3,984,526
Unearned revenue		18,610,929
Long-Term Obligations:		
Current portion of long-term obligations other than pensions		18,468,245
Noncurrent portion of long-term obligations other than pensions		461,926,619
Total Long-Term Obligations		480,394,864
Aggregate net pension liability		578,784,361
Total Liabilities		1,130,184,311
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		24,149,670
NET POSITION		
Net investment in capital assets		697,858,055
Restricted for:		
Debt service		22,563,203
Capital projects		51,755,113
Educational programs		23,038,264
Other activities		43,745,548
Unrestricted		(485,362,423)
Total Net Position	$	353,597,760

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

SANTA ANA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 429,275,696	$ 858,941	$ 91,254,536	$ 236,844	$ (336,925,375)
Instruction-related activities:					
Supervision of instruction	32,475,504	54,517	12,775,616	-	(19,645,371)
Instructional library, media, and technology	4,529,583	498	209,659	-	(4,319,426)
School site administration	41,036,332	11,470	2,688,096	-	(38,336,766)
Pupil services:					
Home-to-school transportation	12,603,350	-	-	-	(12,603,350)
Food services	41,138,575	1,148,222	39,275,522	-	(714,831)
All other pupil services	32,708,908	77,585	10,219,711	-	(22,411,612)
Administration:					
Data processing	6,289,234	5,949	46,164	-	(6,237,121)
All other administration	40,335,030	58,534	4,890,931	-	(35,385,565)
Plant services	56,081,863	8,553	509,522	-	(55,563,788)
Ancillary services	6,495,915	1,780	105,222	-	(6,388,913)
Community services	139,592	118	911	-	(138,563)
Enterprise services	265,240	7,316	223,571	-	(34,353)
Interest on long-term obligations	19,830,059	-	-	-	(19,830,059)
Other outgo	5,225,796	601,066	6,812,670	-	2,187,940
Total Governmental Activities	$ 728,430,677	$ 2,834,549	$ 169,012,131	$ 236,844	(556,347,153)
	General revenues and subventions:				
	Property taxes, levied for general purposes				150,999,091
	Property taxes, levied for debt service				19,795,370
	Taxes levied for other specific purposes				4,982,221
	Federal and State aid not restricted to specific purposes				390,117,938
	Interest and investment earnings				1,628,459
	Miscellaneous				34,100,791
	Subtotal, General Revenues				601,623,870
	Change in Net Position				45,276,717
	Net Position - Beginning				308,321,043
	Net Position - Ending				$ 353,597,760

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

SANTA ANA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 147,488,382	$ 21,364,909	$ 101,790,478	$ 270,643,769
Receivables	27,437,890	1,084,611	9,706,264	38,228,765
Due from other funds	12,976,877	6,782,141	3,262,989	23,022,007
Prepaid expenditures	87,678	-	759	88,437
Stores inventories	870,680	-	529,702	1,400,382
Total Assets	$ 188,861,507	$ 29,231,661	$ 115,290,192	$ 333,383,360
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 37,500,874	$ 3,657,303	$ 6,239,924	$ 47,398,101
Due to other funds	19,779,648	3,107	4,827,310	24,610,065
Unearned revenue	6,150,054	12,126,509	334,366	18,610,929
Total Liabilities	63,430,576	15,786,919	11,401,600	90,619,095
Fund Balances:				
Nonspendable	1,108,358	-	535,832	1,644,190
Restricted	22,397,995	5,260,718	101,034,169	128,692,882
Committed	25,445,159	-	2,318,591	27,763,750
Assigned	63,547,771	8,184,024	-	71,731,795
Unassigned	12,931,648	-	-	12,931,648
Total Fund Balances	125,430,931	13,444,742	103,888,592	242,764,265
Total Liabilities and Fund Balances	$ 188,861,507	$ 29,231,661	$ 115,290,192	$ 333,383,360

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds		$ 242,764,265
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 1,246,631,677	
Accumulated depreciation is	(219,865,464)	
Net Capital Assets		1,026,766,213
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,984,526)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		21,084,799
Deferred amounts on refunding (difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) are included with governmental activities.		474,521
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	47,326,298	
Net change in proportionate share of net pension liability	25,191,625	
Difference between projected and actual earnings on pension plan investments	57,998,915	
Differences between expected and actual experience in the measurement of the total pension liability	6,419,225	
Total Deferred Outflows of Resources Related to Pensions		136,936,063

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2017

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	$ (9,025,669)	
Differences between expected and actual experience in the measurement of the total pension liability	(10,458,459)	
Changes in assumptions	(4,665,542)	
Total Deferred Inflows of Resources Related to Pensions		$ (24,149,670)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(578,784,361)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	263,826,881	
Premium on issuance of bonds	7,595,223	
Certificates of participation	55,062,230	
Premium on issuance of certificates	1,068,209	
Qualified zone academy bonds	4,500,000	
Compensated absences (vacations)	2,946,847	
Construction loan	2,021,163	
Career Technical Education facilities program loan	558,740	
Net OPEB obligation	51,785,080	
In addition, the District has issued "capital appreciation" bonds and certificates. The accretion of interest on those bonds and certificates to date is the following:	78,145,171	
Total Long-Term Obligations		(467,509,544)
Total Net Position - Governmental Activities		$ 353,597,760

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

SANTA ANA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 514,118,944	$ -	$ 6,110,988	$ 520,229,932
Federal sources	48,653,269	-	39,663,769	88,317,038
Other State sources	91,959,911	14,307,527	8,154,318	114,421,756
Other local sources	12,388,475	2,806,397	33,582,205	48,777,077
Total Revenues	667,120,599	17,113,924	87,511,280	771,745,803
EXPENDITURES				
Current				
Instruction	398,546,112	-	5,906,246	404,452,358
Instruction-related activities:				
Supervision of instruction	30,198,489	-	490,960	30,689,449
Instructional library, media, and technology	4,392,830	-	-	4,392,830
School site administration	39,232,491	-	649,039	39,881,530
Pupil services:				
Home-to-school transportation	12,586,233	-	-	12,586,233
Food services	1,230,230	-	40,804,155	42,034,385
All other pupil services	31,327,504	-	362,004	31,689,508
Administration:				
Data processing	6,618,015	-	-	6,618,015
All other administration	36,301,364	-	2,492,797	38,794,161
Plant services	50,330,569	18,764	3,316,449	53,665,782
Facility acquisition and construction	3,993,861	21,378,212	3,600,827	28,972,900
Ancillary services	6,519,481	-	-	6,519,481
Community services	135,806	-	-	135,806
Other outgo	5,225,796	-	-	5,225,796
Enterprise services	7,516	-	226,441	233,957
Debt service				
Principal	251,524	-	23,440,000	23,691,524
Interest and other	5,613	-	10,300,473	10,306,086
Total Expenditures	626,903,434	21,396,976	91,589,391	739,889,801
Excess (Deficiency) of Revenues Over Expenditures	40,217,165	(4,283,052)	(4,078,111)	31,856,002
Other Financing Sources (Uses)				
Transfers in	-	7,685,106	7,359,996	15,045,102
Other sources - proceeds from construction loan	-	2,021,163	-	2,021,163
Transfers out	(15,513,655)	(1,438,878)	(539)	(16,953,072)
Net Financing Sources (Uses)	(15,513,655)	8,267,391	7,359,457	113,193
NET CHANGE IN FUND BALANCES	24,703,510	3,984,339	3,281,346	31,969,195
Fund Balances - Beginning	100,727,421	9,460,403	100,607,246	210,795,070
Fund Balances - Ending	$ 125,430,931	$ 13,444,742	$ 103,888,592	$ 242,764,265

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

SANTA ANA 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, 2017

Total Net Change in Fund Balances - Governmental Funds		$ 31,969,195
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 32,400,376	
Depreciation expense	(20,516,648)	
Net Expense Adjustment		11,883,728
In the Statement of Activities, certain operating expenses - compensated absences (vacations) is 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, vacation earned was more than the amounts paid by $1,519,646.		(1,519,646)
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.		(15,807,651)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		3,832,964
Proceeds received from construction loan 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.		(2,021,163)

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

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, 2017

Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 497,508	
Amortization of deferred charge on refunding	(36,502)	$ 461,006
Payment of principal on long-term obligations 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		10,175,000
Certificates of participation		6,265,000
Qualified zone academy bonds		7,000,000
CTE facilities program loan		251,524
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 the two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by $106,593, and second, $10,091,572 of additional interest was accreted on the District's capital appreciation general obligation bonds and certificates of participation.		(9,984,979)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net change of the Internal Service Fund is reported with governmental activities.		2,771,739
Change in Net Position of Governmental Activities		$ 45,276,717

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

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities – Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 32,428,820
Receivables	816,022
Due from other funds	10,098,194
Prepaid expenses	148,749
Total Current Assets	43,491,785
LIABILITIES	
Current Liabilities	
Accounts payable	1,011,530
Due to other funds	8,510,136
Current portion of long-term obligations	2,811,721
Total Current Liabilities	12,333,387
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	10,073,599
NET POSITION	
Restricted	21,084,799
Total Net Position	$ 21,084,799

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 17,016,179
OPERATING EXPENSES	
Payroll costs	10,881,222
Supplies and materials	408,983
Facility rental	17,141
Other operating cost	5,140,461
Total Operating Expenses	16,447,807
Operating Income	568,372
NONOPERATING REVENUES	
Interest income	295,397
Transfers in	1,907,970
Total Nonoperating Revenues	2,203,367
Change in Net Position	2,771,739
Total Net Position - Beginning	18,313,060
Total Net Position - Ending	$ 21,084,799

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

SANTA ANA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 14,052,526
Other operating cash receipts	104,666
Cash payments to other suppliers of goods or services	(251,274)
Cash payments to employees for services	(6,906,706)
Other operating cash payments	(5,968,937)
Net Cash Provided by Operating Activities	1,030,275
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	1,907,970
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	295,397
Net increase in cash and cash equivalents	3,233,642
Cash and cash equivalents - Beginning	29,195,178
Cash and cash equivalents - Ending	$ 32,428,820
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 568,372
Changes in assets and liabilities:	
Receivables	782,136
Due from other funds	(3,641,123)
Prepaid expenditures	(148,749)
Accounts payable	323,599
Due to other fund	3,974,516
Claims liability	(828,476)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,030,275

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

SANTA ANA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency Funds
ASSETS	
Deposits and investments	$ 2,957,571
LIABILITIES	
Due to student groups	$ 1,569,736
Due to bondholders	1,387,835
Total Liabilities	$ 2,957,571

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Ana Unified School District (the District) was organized in 1888 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 thirty-six elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and three alternative high 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 Ana Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Ana Unified School District Public Facilities Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property, and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term obligations.

The Corporation's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Certificates of participation and qualified zone academy bonds issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

On August 24, 2004, the District voted to establish Community Facilities District (CFD) No. 2004-1 and to authorize the levy of special taxes. The purpose of the agreement is to provide for the issuance of certain debt obligations to provide and finance the design, acquisition and construction of certain public facilities, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFD is authorized to levy special taxes on parcels of taxable property within the CFD to pay the principal and interest on the bonds. The CFD financial activity is presented in the Agency Fund. Debt instruments issued by the CFD do not represent liabilities of the District or component unit and is not included in the District-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Senior Academy of Santa Ana, El Sol Science and Arts Academy of Santa Ana, NOVA Academy, Orange County High School of the Arts, and Advanced Learning Academy pursuant to Education Code Section 47605. The Charters for Orange County Educational Arts Academy (OCEAA), Edward B. Cole Senior Academy of Santa Ana, El Sol Science and Arts Academy of Santa Ana, NOVA Academy, Orange County High School of the Arts are direct-funded and are not considered component units of the District. The Charter Schools are independent of the District, but subject to periodic charter renewal by the District. The Advanced Learning Academy is operated by the District, and its financial activity is presented in the Charter School Fund.

Basis of Presentation Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Other Postemployment Benefits, 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 function effectively as 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 $23,855,909.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established 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 and that compose a substantial portion of the inflows of the fund. 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 Districts 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 revenues that are restricted or committed for deferred maintenance purposes (Education Code Section 17582).

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

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.

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 approving a development (Education Code Sections 17620-17626). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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.).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for, and the payment of, principal and interest on general long-term obligations.

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).

Debt Service Fund for Blended Component Units This fund is used for the accumulation of resources for and the retirement of principal and interest on debt issued by entities that are considered blended component units of the District under GAAP.

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 operates a property and liability, dental, vision, and workers' compensation self-insurance fund that is accounted for in an 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. 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) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

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 expenses, both direct and indirect, and program revenues of the activities of the District and for each governmental function, and exclude 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 the cafeteria special revenue fund 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 balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting. and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2017, 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 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 benefit 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 weighted average basis. The costs of inventory items are recorded as expenditures in the governmental 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 $10,000. 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 and improvements, 25 to 50 years; furniture and equipment, 15 to 20; years, and vehicles, eight 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 columns of the Statement of Net Position.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, 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, business-type activities, or proprietary fund statement of net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

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

Deferred Outflows/Inflows of Resources

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

Fund Balances - Governmental Funds

As of June 30, 2017, 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.

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 chief business officer/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.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

Stabilization Arrangement

In fiscal year 2010-2011, the governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, seven percent of the annual operating expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty. At June 30, 2017, $24,445,159 of the fund balance for the General Fund is reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

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. 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 $141,102,128 of restricted net position, which is restricted by enabling legislation.

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 self-insurance. 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 nonoperating revenues and expenses.

Interfund Activity

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

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.

Budgetary Data

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

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

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 Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units – amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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

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

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

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

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$ 303,072,589
Fiduciary funds	2,957,571
Total Deposits and Investments	$ 306,030,160

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 4,855,185
Cash in revolving	706,130
Investments	300,468,845
Total Deposits and Investments	$ 306,030,160

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds and Notes	N/A	None	None
Registered State Bonds and Notes	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
U.S. Agency Securities	N/A	None	None
Farmer Credit System Bonds and Notes	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Federtal Home Loan Bank System Obligations	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Obligations	N/A	None	None
U.S. Maritime Administration Obligations	N/A	None	None
U.S. Department of Housing and Urban Development Bonds and Notes	N/A	None	None
Money Market Funds	N/A	None	None
Deposit Accounts, Time Certificates of Deposit, Negotiable Certificates of Deposit	180 days	None	None
Commercial Paper	270 days	None	None
Federal Funds and Bankers Acceptance	365 days	None	None
Repurchase Agreement	30 days	None	None
Investment Agreement	N/A	None	None
Prefunded Municipal Bonds	N/A	None	None
State Investment Fund	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 county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Reported Amount	Average Maturity in Days/ Maturity Date
Orange County Treasury Investment Pool	$ 295,909,331	325 days
Dreyfus Institutional Treasury & Agency Cash Advantage Fund	663,263	21 days
BNP Paribas Fortis New	3,896,251	10/27/17
Total	$ 300,468,845	

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

The investment in the Orange County Treasury Investment Pool is not required to rated, nor has it been rated as of June 30, 2017. The investment in Dreyfus Institutional Treasury & Agency Cash Advantage Fund has been rated AAAm by Standard and Poor's rating service as of June 30, 2017. The investments in BNP Paribas Fortis New has been rated A-1 by Standard and Poor's rating service as of June 30, 2017.

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, 2017, the District's bank balance of $4,146,724 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in BNP Paribas Fortis New of $3,896,251, the District has a custodial credit risk exposure of $3,896,251 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized – Investments in the Orange 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, 2017:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
Orange County Treasury Investment Pool	$ 295,909,331	$ –	$ 295,909,331
Dreyfus Institutional Treasury & Agency Cash Advantage Fund	663,263	663,263	–
BNP Paribas Fortis New	3,896,251	3,896,251	–
Total	$ 300,468,845	$ 4,559,514	$ 295,909,331

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 9,165,556	$ –	$ 7,062,641	$ –	$ 16,228,197
State Government					
Categorical aid	4,290,669	–	1,153,900	–	5,444,569
Lottery	4,298,425	–	9,239	–	4,307,664
Local Government					
Interest	87,260	19,374	65,806	30,062	202,502
Regional occupational program	385,053	–	–	–	385,053
City of Santa Ana	–	–	1,376,230	–	1,376,230
Other LEA	958,200	–	–	–	958,200
Other Local Sources	8,252,727	1,065,237	38,448	785,960	10,142,372
Total	$ 27,437,890	$ 1,084,611	$ 9,706,264	$ 816,022	$ 39,044,787

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 136,172,405	$ –	$ –	$ 136,172,405
Construction in progress	102,605,942	32,400,376	–	135,006,318
Total Capital Assets Not Being Depreciated	238,778,347	32,400,376	–	271,178,723
Capital Assets Being Depreciated:				
Land improvements	24,920,609	–	–	24,920,609
Buildings and improvements	936,423,135	–	–	936,423,135
Furniture and equipment	14,109,210	–	–	14,109,210
Total Capital Assets Being Depreciated	975,452,954	–	–	975,452,954
Total Capital Assets	1,214,231,301	32,400,376	–	1,246,631,677
Less Accumulated Depreciation:				
Land improvements	18,727,613	877,875	–	19,605,488
Buildings and improvements	174,599,759	18,390,388	–	192,990,147
Furniture and equipment	6,021,444	1,248,385	–	7,269,829
Total Accumulated Depreciation	199,348,816	20,516,648	–	219,865,464
Governmental Activities Capital Assets, Net	$ 1,014,882,485	$ 11,883,728	$ –	$ 1,026,766,213

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 14,854,053
Supervision of instruction	984,799
All other pupil services	1,128,416
All other administration	1,415,649
Plant services	2,133,731
Total Depreciation Expenses Governmental Activities	$ 20,516,648

NOTE 6 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From				
Due To	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ –	$ 1,699	$ 4,465,244	$ 8,509,934	$ 12,976,877
Special Reserve Fund for Capital Outlay Projects	6,782,141	–	–	–	6,782,141
Non-Major Governmental Funds	3,262,787	–	–	202	3,262,989
Internal Service Fund	9,734,720	1,408	362,066	–	10,098,194
Total	$ 19,779,648	$ 3,107	$ 4,827,310	$ 8,510,136	$ 33,120,201

A balance of $752,483 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from the reimbursement of operating costs.

A balance of $1,074,517 due to the General Fund from the Charter School Non-Major Governmental Fund resulted from the reimbursement of operating costs.

A balance of $2,140,091 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect costs and reimbursement of operating costs.

A balance of $9,754 due to the General Fund from the Deferred Maintenance Non-Major Governmental Fund resulted from reimbursement of deferred maintenance projects.

The balance of $8,509,934 due to the General Fund from the Internal Service Fund resulted from reimbursement of excess contributions and a temporary loan.

A balance of $466,649 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from allocation of in-lieu property taxes.

A balance of $169,069 due to the Charter School Non-Major Governmental Fund from the General Fund resulted from allocation of various categorical funds.

A balance of $76,473 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from catering.

A balance of $1,490,700 due to the Capital Facilities Non-Major Governmental Fund from the General Fund resulted from transfer to community redevelopment funds.

A balance of $1,193,757 due to the Special Reserve Fund for Capital Outlay Projects from the General Fund resulted from energy savings attributed to the solar project.

The balance of $9,734,720 due to the Internal Service Fund from the General Fund resulted from insurance premiums.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	Transfer From			
Transfer To	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Fund	Total
Special Reserve Fund for Capital Outlay Projects	$ 7,685,106	$ –	$ –	$ 7,685,106
Non-Major Governmental Funds	5,920,579	1,438,878	539	7,359,996
Internal Service Funds	1,907,970	–	–	1,907,970
Total	$ 15,513,655	$ 1,438,878	$ 539	$ 16,953,072

The General Fund transferred to the Charter School Non-Major Governmental Fund for charter school expansion.	$ 491,900
The General Fund transferred to the Charter School Non-Major Governmental Fund for allocation of various categorical funds.	169,069
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for repayment of indirect costs charged to the program.	511,043
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for capital projects costs.	5,100,000
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for savings resulting from the solar energy project.	2,585,106
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.	4,748,567
The General Fund transferred to the Internal Service Fund for health benefits reserve.	1,200,000
The General Fund transferred to the Internal Service Fund for health and welfare benefit related costs.	707,970
The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for future debt service payments.	1,438,878
The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for the reimbursement of interest payment on lease.	539
Total	$ 16,953,072

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 16,681,530	$ 7,882	$ 1,443,464	$ 708,330	$ 18,841,206
LCFF apportionment	4,879,007	–	9,323	–	4,888,330
Books and supplies	7,117,906	1,455	512,164	184,078	7,815,603
Services and other operating payables	6,244,230	14,545	1,862,121	100,091	8,220,987
Construction	1,309,776	3,633,421	2,392,736	–	7,335,933
Vendor payables	1,268,425	–	20,116	19,031	1,307,572
Total	$ 37,500,874	$ 3,657,303	$ 6,239,924	$ 1,011,530	$ 48,409,631

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 15,134	$ –	$ –	$ 15,134
State categorical aid	6,047,505	12,126,509	334,366	18,508,380
Other local	87,415	–	–	87,415
Total	$ 6,150,054	$ 12,126,509	$ 334,366	$ 18,610,929

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 324,830,035	$ 8,387,782	$ 10,175,000	$ 323,042,817	$ 10,835,000
Premium on issuance	8,036,509	-	441,286	7,595,223	-
Certificates of participation	78,552,675	1,703,790	6,265,000	73,991,465	4,570,000
Premium on issuance	1,124,431	-	56,222	1,068,209	-
2002 Qualified zone academy bonds	7,000,000	-	7,000,000	-	-
2005 Qualified zone academy bonds	4,500,000	-	-	4,500,000	-
Construction loan	-	2,021,163	-	2,021,163	-
Career Technical Education facilities program loan	810,264	-	251,524	558,740	251,524
Compensated absences	1,427,201	1,519,646	-	2,946,847	-
Claims liability	13,713,796	1,983,245	2,811,721	12,885,320	2,811,721
Other postemployment benefits (OPEB)	55,618,044	15,734,554	19,567,518	51,785,080	-
	$ 495,612,955	$ 31,350,180	$ 46,568,271	$ 480,394,864	$ 18,468,245

Payments made on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation are made by the Debt Service Fund for Blended Component Units. Construction loan will be paid by the Special Reserve Fund for Capital Outlay of Project. Career Technical Education facilities program loan will be paid by the General Fund. The accrued vacation will be paid by the fund for which the employees worked. The claims liability is paid from the Internal Service Fund. Other postemployment benefits are generally paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted	Redeemed	Bonds Outstanding June 30, 2017
10/30/02	08/01/32	2.68-5.53%	$ 50,828,156	$ 44,430,839	$ 2,305,483	$ 3,520,000	$ 43,216,322
08/06/08	08/01/33	3.50-5.51%	99,997,856	95,512,542	1,311,596	1,875,000	94,949,138
11/12/09	08/01/29	3.00-4.25%	49,775,000	38,935,000	-	2,125,000	36,810,000
11/20/09	08/01/47	6.54-7.337%	34,861,114	54,971,555	4,261,711	-	59,233,266
11/20/09	09/15/26	5.91%	19,240,000	19,240,000	-	-	19,240,000
12/02/10	08/01/20	3.00-5.00%	8,591,011	6,905,099	508,992	1,310,000	6,104,091
12/02/10	08/01/28	6.45%	17,535,000	17,535,000	-	-	17,535,000
12/02/10	08/01/41	6.80-7.10%	19,775,000	19,775,000	-	-	19,775,000
12/02/10	08/01/22	2.50-5.00%	12,290,000	8,765,000	-	1,105,000	7,660,000
09/19/12	08/01/32	2.00-3.40%	19,720,000	18,760,000	-	240,000	18,520,000
				$ 324,830,035	$ 8,387,782	$ 10,175,000	$ 323,042,817

1999 General Obligation Bonds, Series 2002B

On October 30, 2002, the District issued capital appreciation bonds in the amount of $50,828,156 (accreting to $110,565,000 at maturity) in order to finance the acquisition, construction, and improvement of school sites and facilities, including relieving overcrowding, improving student safety, repairing and renovating schools, and replacing portables with permanent classrooms. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields ranging from 2.68 to 5.53 percent. At June 30, 2017, the principal balance outstanding was $43,216,322 (including accreted interest to date).

2008 General Obligation Bonds, Series A

On August 6, 2008, the District issued $94,235,000 in current interest bonds and $5,762,856 in capital appreciation bonds (accreting to $22,700,000 at maturity) with an original premium of $6,022,280. The bonds were issued to finance the acquisition, construction, and improvement of school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2033, with interest rate yields ranging from 3.50 to 5.51 percent. At June 30, 2017, the principal balance outstanding was $94,949,138 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2017, was $3,854,259.

2009 General Obligation Refunding Bonds

On November 12, 2009, the District issued $49,775,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $46,220,000 of the District's outstanding Election of 1999, General Obligation Bond, Series 2000. The bonds have a final maturity to occur on August 1, 2029, with interest rate yields ranging from 3.0 to 4.25 percent. At June 30, 2017, the principal balance outstanding was $36,810,000.

2008 General Obligation Bonds, Series B

On November 20, 2009, the District issued capital appreciation bonds in the amount of $34,861,114 (accreting to $418,255,000 at maturity) with an original premium of $1,809,422. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on August 1, 2047, with interest rate yields ranging from 6.54 to 7.337 percent. At June 30, 2017, the principal balance outstanding was $59,233,266 (including accreted interest to date). Unamortized premium received on the bonds as of June 30, 2017, was $1,452,300.

2008 General Obligation Bonds, Series C

On November 20, 2009, the District issued $19,240,000 in qualified school construction bonds under the provisions of the American Recovery and Reinvestment Act of 2009. The bonds were issued to finance the acquisition, construction, and improvement of the school sites and facilities, improving student safety, repairing and renovating schools, and replacing portables with modern classrooms. The bonds have a final maturity to occur on September 15, 2026, with an interest rate yield of 5.91 percent. At June 30, 2017, the principal balance outstanding was $19,240,000.

2008 General Obligation Bonds, Series D, Series E, Series F

On December 2, 2010, the District issued $6,445,000 in current interest bonds and $2,146,011 (accreting to $5,875,000 at maturity) in capital appreciation bonds with Series D. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2020, with interest rate yields ranging from 3.00 to 5.00 percent. At June 30, 2017, the principal balance outstanding was $6,104,091 (including accreted interest to date).

On December 2, 2010, the District issued $17,535,000 in current interest bonds with Series F. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2028, with an interest rate yield of 6.45 percent. The District has designated the Series F Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2017, the principal balance outstanding was $17,535,000. Unamortized premium received on the bonds as of June 30, 2017 was $1,867,642.

On December 2, 2010, the District issued $19,775,000 in current interest bonds with Series E. The bonds were issued to finance new construction and additions to and modernization of school facilities for the District. The bonds have a final maturity to occur on August 1, 2041, with interest rate yields ranging from 6.80 to 7.10 percent. The District has designated the Series E Bonds as "Build America Bonds" under Section 55AA of the Internal Revenue Code of 1986, as amended, making the District eligible for cash subsidy payments from the United States Treasury. At June 30, 2017, the principal balance outstanding was $19,775,000.

2010 General Obligation Refunding Bonds

On December 2, 2010, the District issued $12,290,000 in current interest bonds. The bonds were issued for the purpose of a partial refunding of $12,300,000 of the District's outstanding Election of 1999, General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2022, with interest rate yields ranging from 2.50 to 5.00 percent. At June 30, 2017, the principal balance outstanding was $7,660,000. Unamortized premium received on the bonds as of June 30, 2017 was $421,022.

2012 General Obligation Refunding Bonds

On September 19, 2012, the District issued $19,720,000 in current interest bonds. The bonds were issued for the purpose of refunding $19,050,000 of the District's outstanding 1999 General Obligation Bonds, Series 2002. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields ranging from 2.00 to 3.40 percent. At June 30, 2017, the principal balance outstanding was $18,520,000.

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest at Maturity	Total
2018	$ 10,750,908	$ 84,092	$ 9,469,321	$ 20,304,321
2019	11,207,505	442,495	10,167,176	21,817,176
2020	10,901,621	1,483,379	11,087,489	23,472,489
2021	10,807,218	2,172,782	11,280,036	24,260,036
2022	11,144,778	2,080,222	11,485,881	24,710,881
2023-2027	81,027,631	11,932,369	48,150,013	141,110,013
2028-2032	89,564,799	22,385,201	22,566,043	134,516,043
2033-2037	47,616,880	51,958,120	5,779,511	105,354,511
2038-2042	28,710,325	131,369,674	2,077,388	162,157,387
2043-2047	18,146,130	145,253,871	-	163,400,001
2048	3,165,022	25,334,978	-	28,500,000
Total	$ 323,042,817	$ 394,497,183	$ 132,062,858	$ 849,602,858

Certificates of Participation

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2016	Accreted	Redeemed	Outstanding June 30, 2017
10/1/99	04/01/36	3.60-6.25%	$ 17,691,700	$ 29,142,675	$ 1,703,790	$ 3,990,000	$ 26,856,465
5/1/07	04/01/37	3.56-4.41%	29,725,000	23,170,000	-	1,015,000	22,155,000
12/5/12	12/01/35	4.25-5.20%	30,000,000	26,240,000	-	1,260,000	24,980,000
				$ 78,552,675	$ 1,703,790	$ 6,265,000	$ 73,991,465

On October 1, 1999, the Corporation issued the 1999 Certificates of Participation in the amount of $17,691,700 with interest rate yields ranging from 3.60 to 6.25 percent. The certificates have a final maturity to occur on April 1, 2036. These certificates were issued for the construction of two elementary schools. At June 30, 2017, the principal balance outstanding was $26,856,465, including accreted interest on the capital appreciation certificates.

Year Ending June 30,	Principal Including Accreted Interest	Accreted Interest	Total
2018	$ 2,092,548	$ 127,452	$ 2,220,000
2019	2,037,095	257,905	2,295,000
2020	1,976,251	1,043,749	3,020,000
2021	1,917,356	1,012,644	2,930,000
2022	1,861,733	983,267	2,845,000
2023-2027	8,504,532	7,220,468	15,725,000
2028-2032	7,235,540	9,619,461	16,855,001
2033-2036	1,231,410	2,733,590	3,965,000
Total	$ 26,856,465	$ 22,998,536	$ 49,855,001

On May 1, 2007, the Corporation issued the 2007 Certificates of Participation in the amount of $29,725,000 with interest rate yields ranging from 3.56 to 4.41 percent. The certificates have a final maturity to occur on April 1, 2037. The certificates were issued for the acquisition and construction of certain infrastructure improvements, as well as to refinance the Energy Savings Project and the 1998 and 1999 Financing Projects. At June 30, 2017, the principal balance outstanding was $22,155,000.

Year Ending June 30,	Principal	Current Interest	Total
2018	$ 1,085,000	$ 1,151,515	$ 2,236,515
2019	400,000	1,097,265	1,497,265
2020	420,000	1,080,765	1,500,765
2021	450,000	1,063,125	1,513,125
2022	480,000	1,039,500	1,519,500
2023-2027	2,765,000	4,792,988	7,557,988
2028-2032	6,555,000	3,692,850	10,247,850
2033-2037	10,000,000	1,749,300	11,749,300
Total	$ 22,155,000	$ 15,667,308	$ 37,822,308

On December 5, 2012, the Corporation issued the 2012 Certificates of Participation in the amount of $30,000,000, pursuant to a lease agreement with the District and the Santa Ana Unified School District Public Facilities Corporation, with interest rate yields ranging from 4.25 to 5.20 percent. The certificates have a final maturity to occur on December 1, 2035. The certificates were issued to implement certain District's facilities projects. At June 30, 2017, the principal balance outstanding was $24,980,000.

Year Ending June 30,	Principal	Current Interest	Total
2018	$ 1,265,000	$ 1,126,624	$ 2,391,624
2019	1,270,000	1,072,755	2,342,755
2020	1,275,000	1,018,674	2,293,674
2021	1,280,000	964,380	2,244,380
2022	1,285,000	909,874	2,194,874
2023-2027	6,500,000	3,724,338	10,224,338
2028-2032	6,640,000	2,249,218	8,889,218
2033-2036	5,465,000	571,350	6,036,350
Total	$ 24,980,000	$ 11,637,213	$ 36,617,213

Qualified Zone Academy Bonds

In December 2002, the District, pursuant to a lease/purchase agreement with the Corporation, issued $7,000,000 of 2002 Lease Revenue Bonds, Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on December 19, 2016, with the entire principal amount of $7,000,000 due at this date. The bonds do not bear interest. In lieu of receiving periodic interest payments, eligible taxpayers who are bondholders will receive an annual Federal income tax credit. The annual base rental payment of $395,183 to begin December 19, 2002, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the $7,000,000 certificates upon maturity on December 19, 2016. At June 30, 2017, 2002 Lease Revenue Bonds, QZAB was fully defeased.

In October 2005, the District issued $4,500,000 of 2005 QZAB to provide funds to finance certain improvements, equipment, and other educational development programs of the District. The bonds mature on October 26, 2021. The annual base rental payment of $230,810 to begin October 15, 2005, will be deposited with Bank of New York into an interest generating investment to produce sufficient income to repay the $4,500,000 certificates upon maturity on October 26, 2021. At June 30, 2017, the principal balance outstanding was $4,500,000.

Construction Loan

In December 2016, the District obtained a long-term loan to fund various construction and modernization projects. The loan will mature on December 1, 2026, with interest rate of 2.29 percent. At June 30, 2017, the outstanding balance on the loan was $2,021,163.

Career Technical Education Facilities Program Loan

The District obtained a long-term loan to fund various startup costs of the career technical education program. At June 30, 2017, the outstanding balance on the loan was $558,740.

Year Ending June 30,		Principal
2018	$	251,524
2019		153,608
2020		153,608
	$	558,740

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2017, amounted to $2,946,847.

Claims Liability

Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of $12,885,320 were discounted at a rate of 0.5 percent and were accepted as estimated by the District's administrator.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $16,097,555, and contributions made by the District during the year were $19,567,518. Interest on the net OPEB obligation and adjustments to the annual required contribution were $3,003,374 and $(3,366,375), respectively, which resulted in a decrease to the net OPEB obligation of $3,832,964. As of June 30, 2017, the net OPEB obligation was $51,785,080. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 – NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $7,555,000 as of June 30, 2017, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 11 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 150,000	$ –	$ 6,130	$ 156,130
Stores inventories	870,680	–	529,702	1,400,382
Prepaid expenditures	87,678	–	–	87,678
Total Nonspendable	1,108,358	–	535,832	1,644,190
Restricted				
Legally restricted programs	22,397,995	–	640,269	23,038,264
Cafeteria program	–	–	22,660,749	22,660,749
Capital projects	–	5,260,718	51,185,422	56,446,140
Debt services	–	–	26,547,729	26,547,729
Total Restricted	22,397,995	5,260,718	101,034,169	128,692,882
Committed				
Stabilization	25,445,159	–	–	25,445,159
Deferred maintenance program	–	–	2,318,591	2,318,591
Total Committed	25,445,159	–	2,318,591	27,763,750
Assigned				
Capital projects	–	8,184,024	–	8,184,024
Other program balances	63,547,771	–	–	63,547,771
Total Assigned	63,547,771	8,184,024	–	71,731,795
Unassigned				
Reserve for economic uncertainties	12,931,648	–	–	12,931,648
Total Unassigned	12,931,648	–	–	12,931,648
Total	$ 125,430,931	$ 13,444,742	$ 103,888,592	$ 242,764,265

NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The California Public Employees' Retirement System (CalPERS) administers the Santa Ana Unified School District's Postemployment Benefits Plan – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the District. Financial information for CalPERS can be found on the CalPERS website at https://www.calpers.ca.gov/page/forms-publications.

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Santa Ana Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 751 retirees and beneficiaries currently receiving benefits and 4,067 active plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $19,567,518 to the plan, of which $9,567,518 was used for current premiums (approximately 83.3 percent of total premiums) and $10,000,000 was contributed to the CalPERS Trust. Plan members receiving benefits contributed $1,917,971, or approximately 16.7 percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 16,097,555
Interest on net OPEB obligation	3,003,374
Adjustment to annual required contribution	(3,366,375)
Annual OPEB cost (expense)	15,734,554
Contributions made	(19,567,518)
Decrease in net OPEB obligation	(3,832,964)
Net OPEB obligation, beginning of year	55,618,044
Net OPEB obligation, end of year	$ 51,785,080

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 15,310,287	$ 9,515,197	62%	$ 49,290,762
2016	16,758,432	10,431,150	62%	55,618,044
2017	15,734,554	19,567,518	124%	51,785,080

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
September 1, 2016	$ 10,000,000	$ 187,472,524	$177,472,524	5%	$ 370,024,362	48%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2016, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2017, was 21 years. The actuarial value of assets was determined in this actuarial valuation.

NOTE 13 – RISK MANAGEMENT

The District's risk management activities are recorded in the Self-Insurance Fund. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District self-insures its exposures for workers' compensation claims up to a $1 million self-insured retention (SIR), and has obtained excess coverage up to statutory limits through participation in the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District also participates in ASCIP for property and liability coverage up to $5 million. Excess property and liability coverage is obtained through the public entity risk pool, Schools Excess Liability Fund (SELF). See Note 16 for additional information relating to public entity risk pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2017:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2015	$ 12,881,374	$ 324,735	$ 13,206,109
Claims and changes in estimates	2,738,411	1,210,657	3,949,068
Claims payments	(2,738,411)	(702,970)	(3,441,381)
Liability Balance, June 30, 2016	12,881,374	832,422	13,713,796
Claims and changes in estimates	1,896,332	86,913	1,983,245
Claims payments	(2,392,889)	(418,832)	(2,811,721)
Liability Balance, June 30, 2017	$ 12,384,817	$ 500,503	$ 12,885,320
Assets available to pay claims at June 30, 2017	$ 31,259,203	$ 401,610	$ 31,660,813

NOTE 14 – 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, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 427,027,116	$ 87,532,205	$ 17,334,485	$ 43,938,201
CalPERS	149,251,038	48,109,065	5,967,983	19,701,387
CalPERS – Safety Risk Pool	2,506,207	1,294,793	847,202	(908,926)
Total	$ 578,784,361	$ 136,936,063	$ 24,149,670	$ 62,730,662

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were $34,020,809.

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

At June 30, 2017, 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:

Districts's proportionate share of net pension liability	$ 427,027,116
State's proportionate share of the net pension liability associated with the District	243,098,920
Total	$ 670,126,036

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.5280 percent and 0.5389 percent, resulting in a net decrease in the proportionate share of 0.0109 percent.

For the year ended June 30, 2017, the District recognized pension expense of $43,938,201. In addition, the District recognized pension expense and revenue of $23,498,069 for support provided by the State. At June 30, 2017, 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	$ 34,020,809	$ -
Net change in proportionate share of net pension liability	19,562,949	6,917,644
Difference between projected and actual earnings on pension plan investments	33,948,447	-
Differences between expected and actual experience in the measurement of the total pension liability	-	10,416,841
Total	$ 87,532,205	$ 17,334,485

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
2018	$ 740,642
2019	740,643
2020	19,734,351
2021	12,732,811
Total	$ 33,948,447

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability 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 of the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 858,518
2019	858,518
2020	858,518
2021	858,518
2022	858,517
Thereafter	(2,064,125)
Total	$ 2,228,464

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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 (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 614,588,327
Current discount rate (7.60%)	427,027,116
1% increase (8.60%)	271,249,677

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Safety Risk Pool Actuarial Valuation Report. These reports and CalPERS audited financial information are publically 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, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were $12,902,202 and $403,287, respectively.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liability totaling $149,251,038 and $2,506,207, respectively. The net pension liability was measured as of June 30, 2016. 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 CalPERS' proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.7557 percent and 0.7186 percent, resulting in a net increase in the proportionate share of 0.0371 percent. The District's CalPERS Safety Risk Pool's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0484 percent and 0.0494 percent, resulting in a net decrease in the proportionate share of 0.0010 percent.

For the year ended June 30, 2017, the District recognized pension expense of $19,701,387 for CalPERS and $(908,926) for CalPERS Safety Risk Pool. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,902,202	$ –
Net change in proportionate share of net pension liability	5,628,676	1,483,878
Difference between projected and actual earnings on pension plan investments	23,158,962	–
Differences between expected and actual experience in the measurement of the total pension liability	6,419,225	–
Changes of assumptions	–	4,484,105
Total	$ 48,109,065	$ 5,967,983

	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 403,287	$ –
Net change in proportionate share of net pension liability	–	624,147
Difference between projected and actual earnings on pension plan investments	891,506	–
Differences between expected and actual experience in the measurement of the total pension liability	–	41,618
Changes of assumptions	–	181,437
Total	$ 1,294,793	$ 847,202

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,	CalPERS Deferred Outflows/(Inflows) of Resources
2018	$ 3,248,351
2019	3,248,352
2020	10,617,974
2021	6,044,285
Total	$ 23,158,962

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows of Resources
2018	$ 125,862
2019	125,863
2020	407,696
2021	232,085
Total	$ 891,506

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability 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 CalPERS' EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	CalPERS Deferred Outflows/(Inflows) of Resources
2018	$ 1,322,510
2019	2,748,916
2020	2,008,492
Total	$ 6,079,918

The CalPERS' Safety Risk Pool's EARSL is 3.8 years (measurement period 2014-2015) and 3.7 years (measurement period 2015-2016) and will be recognized in pension expense as follows:

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2018	$ (432,493)
2019	(361,264)
2020	(53,445)
Total	$ (847,202)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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:

	CalPERS
Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 222,683,380
Current discount rate (7.65%)	149,251,038
1% increase (8.65%)	88,104,163

	CalPERS Safety Risk Pool
Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 3,751,696
Current discount rate (7.65%)	2,506,207
1% increase (8.65%)	1,483,788

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 $21,936,541 (8.828 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. On behalf payments have not been included in the calculation of available reserves, and have not been included in the original budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

NOTE 15 – 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, 2017.

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, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Century – ATP TV relocation	$ 10,000	1/8/2018
ALA II – parking lights	20,000	2/1/2018
District office	330,000	2/1/2018
Spurgeon – CTE	10,000	2/1/2018
Segerstrom HS – shade structure, scoreboard – CCD for ramp	20,000	2/1/2018
Valley – P2P 28 – classrooms	3,514,563	2/15/2018
Roosevelt/Walker – community center planning	2,552,325	3/1/2018
ALA II – sewer	75,000	3/1/2018
Santa Ana – temporary and permanent kitchen	2,991,904	4/1/2018
Mitchell – site work & portables – phase 3	339,959	5/1/2018
ALA II – portables	200,000	7/1/2018
	$ 10,063,751	

NOTE 16 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to the applicable entities for its property and liability coverage, and excess property and liability coverage, 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, 2017, the District made payments of $2,056,861 and $284,669 to ASCIP and SELF, respectively, for property and liability coverage, and excess property and liability coverage.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA ANA UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 514,365,662	$ 514,118,942	$ 514,118,944	$ 2
Federal sources	43,962,920	57,409,542	48,653,269	(8,756,273)
Other State sources	77,624,666	95,980,873	91,959,911	(4,020,962)
Other local sources	7,731,934	10,109,686	12,388,475	2,278,789
Total Revenues [1]	643,685,182	677,619,043	667,120,599	(10,498,444)
EXPENDITURES				
Current				
Certificated salaries	273,347,086	278,986,970	280,427,465	(1,440,495)
Classified salaries	93,377,664	90,454,500	90,926,861	(472,361)
Employee benefits	149,037,145	145,521,278	155,262,516	(9,741,238)
Books and supplies	34,704,400	41,466,310	29,642,164	11,824,146
Services and operating expenditures	67,064,905	78,537,541	61,858,510	16,679,031
Other outgo	3,322,001	2,878,780	2,941,402	(62,622)
Capital outlay	4,956,827	7,225,142	5,587,379	1,637,763
Debt service - principal	251,524	251,524	251,524	-
Debt service - interest	-	-	5,613	(5,613)
Total Expenditures [1]	626,061,552	645,322,045	626,903,434	18,418,611
Excess of Revenues Over Expenditures	17,623,630	32,296,998	40,217,165	7,920,167
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(6,828,416)	(27,619,348)	(15,513,655)	12,105,693
Net Financing Sources (Uses)	(6,828,416)	(27,619,348)	(15,513,655)	12,105,693
NET CHANGE IN FUND BALANCES	10,795,214	4,677,650	24,703,510	20,025,860
Fund Balances - Beginning	100,727,421	100,727,421	100,727,421	-
Fund Balances - Ending	$ 111,522,635	$ 105,405,071	$ 125,430,931	$ 20,025,860

[1] Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	$ -	$ 120,452,385	$ 120,452,385	0%	$ 301,041,077	40%
August 1, 2014	-	150,193,056	150,193,056	0%	329,360,215	46%
September 1, 2016	10,000,000	187,472,524	177,472,524	0%	370,024,362	48%

See accompanying note to required supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.5280%	0.5389%	0.5013%
District's proportionate share of the net pension liability	$ 427,027,116	$ 362,799,016	$ 292,931,830
State's proportionate share of the net pension liability associated with the District	243,098,920	191,880,686	176,884,886
Total	$ 670,126,036	$ 554,679,702	$ 469,816,716
District's covered - employee payroll	$ 261,397,446	$ 245,668,908	$ 224,429,169
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	163.36%	147.68%	130.52%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.7557%	0.7186%	0.7462%
District's proportionate share of the net pension liability	$ 149,251,038	$ 105,921,641	$ 84,713,519
District's covered - employee payroll	$ 90,150,755	$ 79,423,023	$ 74,554,979
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	165.56%	133.36%	113.63%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
CalPERS - SAFETY RISK POOL			
District's proportion of the net pension liability	0.0484%	0.0494%	0.0302%
District's proportionate share of the net pension liability	$ 2,506,207	$ 2,034,198	$ 1,878,447
District's covered - employee payroll	$ 2,019,608	$ 1,960,237	$ 1,714,755
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	124.09%	103.77%	109.55%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2017	2015
CalSTRS			
Contractually required contribution	$ 34,020,809	$ 28,047,946	$ 21,815,399
Contributions in relation to the contractually required contribution	34,020,809	28,047,946	21,815,399
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 270,435,684	$ 261,397,446	$ 245,668,908
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 12,902,202	$ 10,680,160	$ 9,348,884
Contributions in relation to the contractually required contribution	12,902,202	10,680,160	9,348,884
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 92,901,800	$ 90,150,755	$ 79,423,023
Contributions as a percentage of covered - employee payroll	13.888%	11.847%	11.771%
CalPERS - SAFETY RISK POOL			
Contractually required contribution	$ 403,287	$ 371,309	$ 313,139
Contributions in relation to the contractually required contribution	403,287	371,309	313,139
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 2,019,608	$ 1,960,237	$ 1,714,755
Contributions as a percentage of covered - employee payroll	19.97%	18.94%	18.26%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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 in 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 ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education - Fitness for All	84.215E	[1]	$ 447,274
Positive School Climate Model	84.411C	[1]	106,296
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	16,478,711
Title I, Part C, Migrant Education (Regular and Summer Program)	84.011	14326	373,758
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	87,641
Title I, School Improvement Grant	84.377	15248	2,349,691
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	3,630,523
Title III, English Learner Student Program	84.365	14346	2,588,334
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	660,119
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	1,929,310
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332	300,084
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	9,290,777
Preschool Grants, Part B, Sec 619	84.173	13430	346,668
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,270,787
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	619,042
Preschool Staff Development, Part B, Sec 619	84.173A	13431	7,577
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	26,581
Total Special Education Cluster			11,561,432
Early Intervention Grants, Part C	84.181	23761	282,678
Passed through Central County Regional Occupational Program:			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	509,537
Passed through Rancho Santiago Community College District:			
California State Gear Up Program	84.334A	10088	1,140
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	353,066
Total U.S. Department of Education			41,659,594
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	23,504,557
School Breakfast Program	10.553	13390	7,153
Especially Needy Breakfast Program	10.553	13526	6,285,531
Commodities	10.555	13396	2,999,106
Seamless Summer Feeding Program	10.559	13004	1,141,564
Total Child Nutrition Cluster			33,937,911
Child and Adult Care Food Program	10.558	13666	4,348,624
Passed through County of Orange - Health Care Agency:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance	10.574	[1]	70,540
Total U.S. Department of Agriculture			38,357,075

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	$ 2,483,376
Medi-Cal Administrative Activities	93.778	10060	506,347
Total Medi-Cal Assistance Program			2,989,723
Passed through Orange County Head Start, Inc.			
Head Start	93.600	10016	3,400,029
Total U.S. Department of Health and Human Services			6,389,752
NATIONAL SCIENCE FOUNDATION			
Passed through Regents of the University of California, Irvine:			
Irvine Mathematics Project	47.076	[1]	154,418
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	211,967
Total Expenditures of Federal Awards			$ 86,772,806

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The Santa Ana Unified School District was organized in 1888, and consists of an area comprising approximately 24 square miles. The District operates thirty-six elementary schools, nine middle schools, six high schools, one charter school, ten special schools/programs, and three alternative high schools.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
John Palacio	President	2018
Valerie Amezcua	Vice President	2018
Cecilia Iglesias	Clerk	2020
Alfonso Alvarez, Ed.D.	Member	2020
Rigo Rodriguez, Ph.D.	Member	2020

ADMINISTRATION

Stefanie P. Phillips, Ed.D.	Superintendent
David Haglund	Deputy Superintendent, Educational Services/CAO
Edmond Heatley, Ed.D.	Deputy Superintendent, Administrative Services
Tina Douglas	Assistant Superintendent, Business Services
Michelle Rodriguez, Ed.D.	Assistant Superintendent, Elementary Education
Lucinda Pueblos	Assistant Superintendent, K-12 School Performance and Culture
Doreen Lohnes	Assistant Superintendent, Special Education/SELPA
Orin Williams	Assistant Superintendent, Facilities/Governmental Relations
Mark McKinney	Associate Superintendent, Human Resources

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report 14C45E16	Annual Report 1D8D8D87
Regular ADA		
Transitional kindergarten through third	15,256.04	15,200.35
Fourth through sixth	11,730.55	11,681.89
Seventh and eighth	7,364.36	7,327.87
Ninth through twelfth	13,923.94	13,802.89
Total Regular ADA	48,274.89	48,013.00
Extended Year Special Education		
Transitional kindergarten through third	54.24	54.24
Fourth through sixth	24.24	24.24
Seventh and eighth	4.74	4.74
Ninth through twelfth	95.02	95.02
Total Extended Year Special Education	178.24	178.24
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.92	1.86
Fourth through sixth	5.88	5.45
Seventh and eighth	4.28	3.78
Ninth through twelfth	9.08	8.93
Total Special Education, Nonpublic, Nonsectarian Schools	21.16	20.02
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.16	0.16
Fourth through sixth	0.61	0.61
Seventh and eighth	0.46	0.46
Ninth through twelfth	1.07	1.07
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.30	2.30
Community Day School		
Seventh and eighth	9.65	13.67
Ninth through twelfth	21.56	21.53
Total Community Day School	31.21	35.20
Total ADA	48,507.80	48,248.76

CHARTER SCHOOL - Advanced Learning Academy		
	3D4C124D	D32EDD6F
Regular ADA		
Transitional kindergarten through third	19.19	19.24
Fourth through sixth	163.06	162.35
Seventh and eighth	44.55	43.97
Total Regular ADA	226.80	225.56
Classroom based ADA		
Transitional kindergarten through third	19.19	19.24
Fourth through sixth	163.06	162.35
Seventh and eighth	44.55	43.97
Total Regular ADA	226.80	225.56

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	182	–	Complied
Grades 1 – 3	50,400				
Grade 1		51,363	182	–	Complied
Grade 2		51,363	182	–	Complied
Grade 3		51,363	182	–	Complied
Grades 4 – 6	54,000				
Grade 4		54,859	182	–	Complied
Grade 5		54,859	182	–	Complied
Grade 6		55,044	182	–	Complied
Grades 7 – 8	54,000				
Grade 7		55,044	182	–	Complied
Grade 8		55,044	182	–	Complied
Grades 9 – 12	64,800				
Grade 9		64,800	182	–	Complied
Grade 10		64,800	182	–	Complied
Grade 11		64,800	182	–	Complied
Grade 12		64,800	182	–	Complied

CHARTER SCHOOL – Advanced Learning Academy

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 3	50,400				
Grade 3		56,864	182	–	Complied
Grades 4 – 6	54,000				
Grade 4		56,864	182	–	Complied
Grade 5		56,864	182	–	Complied
Grade 6		56,864	182	–	Complied
Grades 7 – 8	54,000				
Grade 7		56,864	182	–	Complied
Grade 8		56,864	182	–	Complied

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Non-Major Governmental Funds	Internal Service Fund
NET ASSETS			
Balance, June 30, 2017, Unaudited Actuals	$130,485,168	$112,497,864	$ 20,842,927
Increase (Decrease) in:			
Cash in banks	(747,878)	177,687	(1,154,682)
Investments	–	(7,224,322)	–
Inventory	109,115	(80,429)	–
Prepaid expenses	–	–	148,749
Decrease (Increase) in:			
Accounts payable	(4,415,474)	(1,482,208)	–
Claims liability	–	–	1,247,805
Balance, June 30, 2017, Audited Financial Statement	$125,430,931	$103,888,592	$ 21,084,799

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018[1]	2017	2016	2015
GENERAL FUND [4]				
Revenues	$ 645,282,127	$ 667,006,458	$ 660,120,516	$ 551,942,335
Other sources	–	–	–	1,313,312
Total Revenues and Other Sources	645,282,127	667,006,458	660,120,516	553,255,647
Expenditures	629,039,942	626,903,433	604,749,503	537,077,396
Other uses and transfers out	11,027,665	19,216,780	25,002,747	8,321,414
Total Expenditures and Other Uses	640,067,607	646,120,213	629,752,250	545,398,810
INCREASE IN FUND BALANCE	$ 5,214,520	$ 20,886,245	$ 30,368,266	$ 7,856,837
ENDING FUND BALANCE	$ 106,789,542	$ 101,575,022	$ 80,688,777	$ 50,320,511
AVAILABLE RESERVES[2]	$ 12,801,352	$ 12,931,648	$ 12,327,715	$ 11,092,113
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	2.00%	2.00%	2.01%	2.08%
LONG-TERM OBLIGATIONS	N/A	$ 480,394,864	$ 495,612,955	$ 493,382,389
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	47,116	48,508	49,957	51,090

The General Fund balance has increased by $51,254,511 over the past two years. The fiscal year 2017-2018 budget projects a further increase of $5,214,520 (5.1 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2017-2018 fiscal year. Total long-term obligations have decreased by $12,987,525 over the past two years.

Average daily attendance has decreased by 2,582 over the past two years. Additional decline of 1,392 ADA is anticipated during fiscal year 2017-2018.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] On behalf payments of $15,987,142 and $13,067,273 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016 and 2015.

[4] General Fund amounts do not include activity related to the consolidation of the Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

SANTA ANA UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017

Name of Charter School	Included in Audit Report
Advanced Learning Academy (Charter No. 1765)	Yes
Edward B. Cole Academy (Charter No. 0578)	No
El Sol Santa Ana Science and Arts Academy (Charter No. 0365)	No
NOVA Academy (Charter No. 0632)	No
Orange County School of the Arts (Charter No. 0290)	No
Orange County Educational Arts Academy (Charter No. 0701)	No

See accompanying note to supplementary information.

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SANTA ANA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
ASSETS					
Deposits and investments	$ 445,201	$ 1,018,321	$ 21,536,309	$ 2,761,889	$ 4,091,097
Receivables	189,320	567,408	7,527,247	2,489	3,555
Due from other funds	982,585	27,723	760,005	1,976	-
Prepaid expenses	-	-	759	-	-
Stores inventories	-	-	529,702	-	-
Total Assets	$ 1,617,106	$ 1,613,452	$ 30,354,022	$ 2,766,354	$ 4,094,652
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 131,225	$ 210,635	$ 4,751,747	$ 428,622	$ 7,701
Due to other funds	1,090,892	823,171	2,405,694	19,141	28
Unearned revenue	-	334,366	-	-	-
Total Liabilities	1,222,117	1,368,172	7,157,441	447,763	7,729
Fund Balances:					
Nonspendable	-	-	535,832	-	-
Restricted	394,989	245,280	22,660,749	-	4,086,923
Committed	-	-	-	2,318,591	-
Total Fund Balances	394,989	245,280	23,196,581	2,318,591	4,086,923
Total Liabilities and Fund Balances	$ 1,617,106	$ 1,613,452	$ 30,354,022	$ 2,766,354	$ 4,094,652

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ 16,950,343	$ 27,347,565	$ 604,063	$ 22,542,246	$ 4,493,444	$ 101,790,478
1,392,013	23,765	41	–	426	9,706,264
1,490,700	–	–	–	–	3,262,989
–	–	–	–	–	759
–	–	–	–	–	529,702
$ 19,833,056	$ 27,371,330	$ 604,104	$ 22,542,246	$ 4,493,870	$ 115,290,192
$ 709,819	$ 172	$ –	$ –	$ 3	$ 6,239,924
–	–	–	–	488,384	4,827,310
–	–	–	–	–	334,366
709,819	172	–	–	488,387	11,401,600
–	–	–	–	–	535,832
19,123,237	27,371,158	604,104	22,542,246	4,005,483	101,034,169
–	–	–	–	–	2,318,591
19,123,237	27,371,158	604,104	22,542,246	4,005,483	103,888,592
$ 19,833,056	$ 27,371,330	$ 604,104	$ 22,542,246	$ 4,493,870	$ 115,290,192

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
REVENUES					
Local Control Funding Formula	$ 2,107,960	$ –	$ –	$ 4,003,028	$ –
Federal sources	42,333	–	38,286,535	–	–
Other State sources	269,503	5,371,481	2,436,562	–	–
Other local sources	10,694	30,714	2,639,064	16,368	36,052
Total Revenues	2,430,490	5,402,195	43,362,161	4,019,396	36,052
EXPENDITURES					
Current					
Instruction	1,957,328	3,948,918	–	–	–
Instruction-related activities:					
Supervision of instruction	44,233	446,727	–	–	–
School site administration	407,263	241,776	–	–	–
Pupil services:					
Food services	–	–	40,804,155	–	–
All other pupil services	16,351	345,653	–	–	–
Administration:					
All other administration	119,950	252,080	1,907,298	–	–
Plant services	151,345	20,703	210,984	2,418,965	16,868
Facility acquisition and construction	–	–	312,654	500	128,136
Enterprise services	–	–	226,441	–	–
Debt service					
Principal	–	–	–	–	–
Interest and other	–	–	–	–	–
Total Expenditures	2,696,470	5,255,857	43,461,532	2,419,465	145,004
Excess (Deficiency) of Revenues Over Expenditures	(265,980)	146,338	(99,371)	1,599,931	(108,952)
Other Financing Sources					
Transfers in	660,969	–	511,043	–	–
Transfers out	–	–	–	–	–
Net Financing Sources (Uses)	660,969	–	511,043	–	–
NET CHANGE IN FUND BALANCES	394,989	146,338	411,672	1,599,931	(108,952)
Fund Balances - Beginning	–	98,942	22,784,909	718,660	4,195,875
Fund Balances - Ending	$ 394,989	$ 245,280	$ 23,196,581	$ 2,318,591	$ 4,086,923

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ –	$ –	$ –	$ –	$ –	$ 6,110,988
–	–	–	1,334,901	–	39,663,769
–	–	–	76,772	–	8,154,318
8,970,104	711,173	8,964	19,846,790	1,312,282	33,582,205
8,970,104	711,173	8,964	21,258,463	1,312,282	87,511,280
–	–	–	–	–	5,906,246
–	–	–	–	–	490,960
–	–	–	–	–	649,039
–	–	–	–	–	40,804,155
–	–	–	–	–	362,004
213,469	–	–	–	–	2,492,797
257,001	16,751	223,832	–	–	3,316,449
3,156,341	–	3,196	–	–	3,600,827
–	–	–	–	–	226,441
–	–	–	10,175,000	13,265,000	23,440,000
–	–	6,472	9,764,278	529,723	10,300,473
3,626,811	16,751	233,500	19,939,278	13,794,723	91,589,391
5,343,293	694,422	(224,536)	1,319,185	(12,482,441)	(4,078,111)
–	–	–	–	6,187,984	7,359,996
(539)	–	–	–	–	(539)
(539)	–	–	–	6,187,984	7,359,457
5,342,754	694,422	(224,536)	1,319,185	(6,294,457)	3,281,346
13,780,483	26,676,736	828,640	21,223,061	10,299,940	100,607,246
$ 19,123,237	$ 27,371,158	$ 604,104	$ 22,542,246	$ 4,005,483	$ 103,888,592

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 primarily of Medi-Cal Billing Options funds have been recorded in the current period as revenues that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted ending balances within the General Fund. In addition, the Build America Bonds are excluded from the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and, therefore, are not presented in the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 88,317,038
Medi-Cal Billing Option	93.778	(209,331)
Build America Bonds	[1]	(1,334,901)
Total Schedule of Expenditures of Federal Awards		$ 86,772,806

[1] CFDA Number not available

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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 neither met nor exceeded 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.

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 is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

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

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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 Ana Unified School District
Santa Ana, California

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Ana Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Santa Ana Unified School District's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Ana 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 Ana Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Ana Unified School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Ana 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 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 Ana Unified School District in a separate letter dated December 13, 2017.

Santa Ana Unified School District's Response to Findings

Santa Ana Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Santa Ana Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on Compliance for Each Major Federal Program

We have audited Santa Ana 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 Ana Unified School District's major Federal programs for the year ended June 30, 2017. Santa Ana 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 Ana 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 Ana 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 Ana Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Santa Ana 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, 2017.

Report on Internal Control Over Compliance

Management of Santa Ana 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 Ana 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 Ana Unified School District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Santa Ana Unified School District
Santa Ana, California

Report on State Compliance

We have audited Santa Ana Unified School District's (the District) compliance with the types of compliance requirements as identified in the 2016-2017 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 Ana Unified School District's State government programs as noted below for the year ended June 30, 2017.

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 Ana 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 2016-2017 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 Ana 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 Ana Unified School District's compliance with those requirements.

Basis for Qualified Opinion on the After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Santa Ana Unified School District did not comply with requirements regarding the After School Education and Safety Program; refer to State Awards Findings and Questioned Costs, finding 2017-002. Compliance with such requirements is necessary, in our opinion, for Santa Ana Unified School District to comply with the requirements applicable to that program.

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Qualified Opinion on the After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Ana Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

In our opinion, Santa Ana 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, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
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	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
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
Immunizations	Yes

	Procedures Performed
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District does offer an Independent Study Program, but the ADA was below the threshold required for testing; therefore, we did not perform procedures related to the Independent Study Program.

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 offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The District does not have any Non Classroom-Based Instruction/Independent Study for Charter Schools; therefore, we did not perform any procedures related to the Non Classroom-Based Instruction/Independent Study for Charter Schools.

The District does not have any Non Classroom-Based Instruction for Charter Schools; therefore, we did not perform any procedures related to the Determination of Funding for Non Classroom-Based Instruction.

The District did not receive any funding for the Charter School Facility Grant Program; therefore, we did not perform any procedures related to the Charter School Facility Grant Program.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

Schedule of Findings and Questioned Costs

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
84.365	Title III, English Learner Student Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,603,184
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

Unmodified for all programs except for the following program which was qualified:

Name of Program
After School Education and Safety Program

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

Capital Assets (Material Weakness)

2017-001 30000

Criteria or Specific Requirements

Education Code Section 35168 requires the District to establish and maintain an inventory of all capital assets. GASB Statement 34 also requires the accounting for capital assets in excess of the capitalization threshold ($5,000). In order to ensure the accurate reporting of capital assets, the District must establish procedures to track and monitor capital asset activity on an annual basis, including acquisitions, dispositions, and construction in process activities.

Condition

The District currently has a capital asset system; however, it is not fully functional. The following conditions were noted:

1. There is no personnel at the District that has been assigned to maintain the system.
2. The work in progress account has not been reconciled to ensure all completed projects are transferred to the appropriate classification to be depreciated.
3. Equipment inventory has not been reconciled to ensure that all equipment reported still exists.
4. Due to the system not functioning properly, accumulated depreciation appears to be misstated.

Questioned costs

There is 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 capital asset activities.

Effect

Consequently, amounts recorded for capital assets in the district's financial statements could be misstated. In addition, by not performing physical inventory counts of capital assets, the District increases the risk of loss from damage, theft, or otherwise.

Cause

The condition identified above appears to be caused by the lack of formal procedures related to this process, including the assignment of personnel to track and monitor capital asset activities on a regular basis.

Recommendation

The District should establish and enforce formalized procedures related to monitoring capital asset activities. Such procedures should include monthly review and reconciliation of capital asset additions and input into capital asset system for depreciation; procedures for disposal of assets including timelines for when the inventory counts will be performed along with a process for reconciling physical inventory count information with the perpetual capital asset listing.

Corrective Action Plan

The District is currently working to rectify this issue by manually recording all past acquisitions into the Oracle Fixed Asset module; it is anticipated that the District will complete input of prior year acquisitions by the end of December 2017. Once this phase of the project is completed, the District will contract with a vendor to conduct a physical inventory of the capital assets by April 2018. Upon completion of the physical inventory, the District will reconcile the information provided by the vendor to the Oracle Fixed Asset module. All fixed asset purchases, as July 1, 2017, are being recorded into the Oracle Fixed Assets module and it will be fully maintained going forward.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

After School Education and Safety Program (ASES)

2017-002 400000

Criteria or Specific Requirements

According to the California Education Code Section 8483(a)(1), every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement for the after school component of the program. However, in reviewing Martin Elementary School's monthly summary total for the month of December 2016 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Martin Elementary School's attendance rosters had a total of 1,847 students served whereas the total of the monthly summary are 1,877 students served, resulting in 30 exceptions. Exceptions consisted of 30 students who were released before 6PM but had no early release form on file.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, for the sites tested for the after school component of the program, there were 30 students served during the month of December 2016 for which the attendance rosters did not conform to the District's early release policy.

Context

The condition identified resulted from our review of Martin Elementary School's attendance records and monthly attendance summary totals for the month of December 2016. For the after school component of the program, auditor selected four out of 46 schools for the first semi-annual reporting period dated July to December 2016. Auditor noted that for the month of December 2016, Martin Elementary School did not consistently have early release forms for students that were being released before 6PM.

Effect

As a result of the conditions identified, the District was not compliant with Education Code Section 8483(a)(1) for the 2016-2017 fiscal year for Martin Elementary School because the report submitted to the State reflects inaccurate attendance information.

Cause

It appears that the condition identified, for the after school component of the program, has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the sites deduct those students who are not in compliance with the established early release policy. The site did not have early release forms for those students who were consistently released early from the ASES program.

Recommendation

The District should inform the sites regarding their early release policy including the importance of having an early release forms for students who are continually released early. Also prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan

Since the finding only included one (Martin Elementary) of the four schools audited, the program administrators will schedule an on-site observation of the sign out procedures and note any gaps or concerns, and then retrain the site staff, as needed.

Please note that since November 2015, the District has adopted the following practices to ensure compliance of California Education Code Section 8483(a)(1):

- A comprehensive early release policy and early release forms, which have been reviewed and approved by the California Department of Education, After School Division.
- A weekly attendance cover sheet for Site Coordinators to report daily and weekly attendance totals, and are included in their weekly attendance packet.
- All Site Coordinators have been trained and retrained on detailed early release procedures
  - Newly hired Site Coordinators are trained in orientation
- Schools sites experiencing difficulty with parent compliance have distributed letters reminding parents of the early release policy
  - Prior to ASES Registration a video media piece is released to all parents detailing the expectations for attendance and early student release

- Routine program visits are scheduled with program administrators to observe compliance of established attendance and early release procedures as well as provide technical assistance and coaching
- Site Coordinators are held responsible to ensure compliance of the early release policy, including progressive discipline and/or removal from the program
- Program administrators begun random attendance audits, reviewing accuracy and compliance of attendance and early release policies and procedures

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

After School Education and Safety Program

2016-001 40000

Criteria or Specific Requirements

According to the California Education Code Section 8483(a)(1), every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement for the after school component of the program. However, in reviewing Adams Elementary School's, Monroe Elementary School's, and Willard Intermediate School's monthly summary total for the month of November 2015 and in comparing the total to the sites' attendance rosters, it was noted that the monthly summary totals differ significantly. Adams Elementary School's attendance rosters had a total of 1,467 students served whereas the total of the monthly summary were 1,543 students served, resulting in 76 exceptions. Exceptions consisted of 76 students who were released before 6PM on a daily basis, but had no early release form on file. Monroe Elementary School's attendance rosters had a total of 1,890 students served whereas the total of the monthly summary were 2,086 students served, resulting in 196 exceptions. Exceptions consisted of 196 students who were released before 6PM on a daily basis, but had no early release form on file. Willard Intermediate School's attendance rosters had a total of 1,040 students served whereas the total of the monthly summary were 1,382 students served, resulting in 342 exceptions. Exceptions consisted of 342 students who were released before 6PM on a daily basis, but had no early release form on file.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, for the sites tested for the after school component of the program, there were 614 students served during the month of November 2015 for which the attendance rosters did not conform to the District's early release policy.

Context

The condition identified resulted from our review of Adams Elementary School's, Monroe Elementary School's, and Willard Intermediate School's attendance records and monthly attendance summary totals for the month of November 2015. For the after school component of the program, the auditor selected 4 out of 45 schools for the first semi-annual reporting period dated July to December 2015. The auditor noted that for the month of November 2015, Adams Elementary School, Monroe Elementary School, and Willard Intermediate School did not consistently have early release forms for students that were being released before 6PM on a daily basis.

Effect

As a result of the conditions identified, the District was not compliant with Education Code Section 8483(a)(1) for the 2015-2016 fiscal year for Adams Elementary School, Monroe Elementary School, and Willard Intermediate School because the report submitted to the State reflects inaccurate student served information.

Cause

It appears that the condition identified, for the after school component of the program, has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the sites deduct those students who are not in compliance with the established early release policy. The sites did not have an early release reason documented on the rosters for those students who were consistently released early from the ASES program.

Recommendation

The District should inform the sites regarding their early release policy including the importance of having an early release reason documented on the rosters for students who are continually released early. Also, prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Current Status

Not implemented, see finding 2017-002.

Unduplicated Local Control Funding Formula Pupil Counts

2016-002 40000

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of 818 students for Free or Reduced-Price Meals on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by 818, resulting in a decrease of approximately $1,149,000 in LCFF funding.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the 2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.a: "Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, "No" under the "Homeless" column, "No" under "Foster" column, blank under the "Migrant Ed Program"."

The auditor inquired further with the District and determined that the District did not make changes to students' eligibility for those students whose status should have been updated from the prior year.

The District extracted the eligibility status for fiscal year 2015-2016 and compared it to the status report on CALPADS Form 1.18. The comparison resulted in a decrease of 818 eligible pupils. The auditor obtained a copy of this list and confirmed that the exceptions noted in our original testing were in fact noted on the list as having a change in status, yet the change was not made. This list noted a total of 818 students whose status should have been changed in CALPADS.

Effect

The District does not appear to be in compliance with Education Code Section 42238.02(b)(4). In addition, the District appears to be over claiming the total FRPM eligible pupil by 818 for a decrease in funding of approximately $1,149,000. The schedule below shows the exceptions by site and District-wide:

School Site	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on English Learner Designation	Adjusted Total Enrollment Count	Adjusted Total Unduplicated Pupil Count
Abraham Lincoln Elementary	923	911	(2)	923	909
Adams Elementary	506	498	(6)	506	492
Andrew Jackson Elementary	992	975	(3)	992	972
Carl Harvey Elementary	440	426	(3)	440	423
Century High	1,883	1,842	(16)	1,883	1,826
Cesar E. Chavez High	281	276	(1)	281	275
Community Day Intermediate and High	32	31	(1)	32	30
Diamond Elementary	571	563	(7)	571	556
Douglas MacArthur Fundamental Intermediate	1,230	1,086	(81)	1,230	1,005
Franklin Elementary	440	430	(2)	440	428
Frederick Remington Elementary	340	330	(1)	340	329
Fremont Elementary	653	640	(1)	653	639
Garfield Elementary	772	760	(1)	772	759
George Washington Carver Elementary	647	632	(2)	647	630
Gerald P. Carr Intermediate	1,487	1,474	(18)	1,487	1,456
Gonzalo Felicitas Mendez Fundamental Intermediate	1,381	1,343	(37)	1,381	1,306
Greenville Fundamental Elementary	1,055	880	(54)	1,055	826
Hector G. Godinez	2,622	2,512	(48)	2,622	2,464
Heroes Elementary	625	618	(3)	625	615
Hoover Elementary	409	398	(2)	409	396
Jefferson Elementary	773	685	(12)	773	673
Jim Thorpe Fundamental	1,025	886	(47)	1,025	839
John F. Kennedy Elementary	794	783	-	794	783
John Muir Fundamental Elementary	1,037	855	(42)	1,037	813
Jose Sepulveda Elementary	460	449	(6)	460	443
Julia C. Lathrop Intermediate	966	961	(6)	966	955

School Site	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on English Learner Designation	Adjusted Total Enrollment Count	Adjusted Total Unduplicated Pupil Count
Lorin Griset Academy	376	358	(5)	376	353
Lowell Elementary	927	920	(4)	927	916
Lydia Romero-Cruz Elementary	283	280	(3)	283	277
Madison Elementary	1,098	1,082	(1)	1,098	1,081
Manuel Esqueda Elementary	1,211	1,184	(7)	1,211	1,177
Martin Elementary	730	714	(5)	730	709
Martin Luther King Jr. Elementary	754	746	(4)	754	742
Martin R. Heninger Elementary	1,198	1,178	(14)	1,198	1,164
McFadden Intermediate	1,328	1,281	(24)	1,328	1,257
Middle College High	336	320	(15)	336	305
Monroe Elementary	439	423	(4)	439	419
Monte Vista Elementary	648	642	(1)	648	641
NPS School Group for Santa Ana Unified	26	16	-	26	16
Pio Pico Elementary	620	614	(1)	620	613
Raymond A. Villa Fundamental Intermediate	1,350	1,330	(21)	1,350	1,309
Saddleback High	1,627	1,560	(31)	1,627	1,529
Santa Ana High	2,800	2,731	(26)	2,800	2,705
Santiago Elementary	1,220	1,000	(43)	1,220	957
Segerstrom High	2,433	2,175	(121)	2,433	2,054
Sierra Preparatory Academy	954	935	(9)	954	926
Spurgeon Intermediate	958	945	(11)	958	934
Taft Elementary	587	540	(12)	587	528
Theodore Roosevelt Elementary	694	688	(4)	694	684
Thomas A. Edison Elementary	587	576	(3)	587	573
Valley High	2,241	2,185	(27)	2,241	2,158
Walker Elementary	501	497	(6)	501	491
Wallace R. Davis Elementary	682	682	(1)	682	681
Washington Elementary	881	866	(8)	881	858
Willard Intermediate	831	829	(4)	831	825
Wilson Elementary	719	710	(1)	719	709
District-Wide	51,383	49,251	(818)	51,383	48,433

Cause

It appears that the condition identified has materialized as a result of the District not updating the status for students whose eligibility changed from the prior year.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Current Status

Implemented

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

VALUE THE difference

Governing Board
Santa Ana Unified School District
Santa Ana, California

In planning and performing our audit of the financial statements of Santa Ana Unified School District (the District) for the year ended June 30, 2017, 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 13, 2017, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Bank Account Reconciliation

Observation

The Civic Center bank reconciliation was not completed for the month of June 2017, as of the date of the audit. In addition, bank reconciliations are not always reviewed by an individual other than the preparer. The lack of performing the reconciliation and an independent review may prevent errors or omissions from being detected.

Recommendation

The District should consider implementing a procedure where a designated individual performs the reconciliation and an independent individual reviews the reconciliations. The independent review ensures the accuracy and completeness of the bank reconciliation as the reviewers may be able to identify errors or modifications that the preparer has made.

Clearing Account

Observation

Per review of the supporting documents pertaining to the District's clearing accounts (Depository, Civic Center, and Benefits), it was noted that the District is not performing timely transfers of local revenues to the County Treasurer.

Recommendation

The District should establish procedures related to the frequency of County transfers. The frequency of transfers may need to be increased depending on the volume and amount of cash collected, since the funds that are in the clearing account are not recognized as revenue until the transfer to clear the account to the Cash in County occurs.

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Non-Payroll Disbursements

Observation

It was noted that four of 40 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-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.

Non-Payroll Disbursements – General Revolving

Observation

It was noted that four of 40 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-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

Payroll Disbursements

Observation

It was noted that substitute employees that are used for less than a full day are manually tracked on spreadsheets by school site staff, rather than tracking this activity on the substitute system the District has in place. At times, the site staff will reference an incorrect employee code, which is used by payroll to process pay. This may result in paying the incorrect substitute for services that they did not perform.

Recommendation

It is recommended that the District track this activity in their existing system and develop procedures related to the tracking of substitute employees. The automated system will ensure the accuracy of the data needed to generate payroll. In addition, should the District not wish to track partial day substitute employees into their existing system, the District should inform the school sites' staff the importance of ensuring the correct employee code is used to facilitate proper payment of services provided.

Terminations, Retirement, Resignation, and Benefits Reconciliation

Observation

It was noted that the District's procedures regarding resigned, retired, or terminated employees are not adhered to consistently. It was noted that for two of seven employees tested, the employees were released at the site level prior to being authorized by the Human Resource Department. This resulted in individuals being overpaid. In addition, this could result in the District paying for benefits for employees who are no longer employed by them.

Recommendation

It is recommended that the Human Resource Department advise site and department level administration regarding established policies regarding the releasing of resigned, retired, or terminated employees. This is essential to ensure that the District does not overpay individuals for services not rendered or overpay benefits for individuals no longer employed by the District.

Vacation Accrual

Observation

During vacation testing it was noted that 15 of the 20 individuals tested, exceeded the allowed carry over balance per the established contract agreement. Per review of the contract agreement, 12-month employees are allowed to carry over one half of each years allowance (up to one year), subject to approval from the Assistant Superintendent of Personnel Services. For employees working less than 12 months, their vacation allowance should be used in the year it is earned.

Recommendation

It is recommended that the District adhere to established policies and ensure vacation accruals are not in excess of the established contract agreements. The District should encourage its employees to utilize their vacation hours throughout the year. At the end of the fiscal year, the District should payout any excess days over the allowed five days.

System Reconciliation

Observation

The District is currently reconciling the in-house financial system, Oracle, with the county system; however, the District does not investigate the variances between the two systems and simply makes adjustments to balance the systems.

Recommendation

The District should reconcile the two systems on a monthly basis and investigate the variances between the two systems. Any necessary adjustments for activity not accounted for should be made immediately so the correct amount is reported on the District's general ledger.

ASSOCIATED STUDENT BODY (ASB)

Consolidated Associated Student Body

Observation

Per review of the ASB bank account reconciliations, it was noted that the reconciliations are not being prepared and reviewed in a timely manner. As of the audit date, the ASB had not completed the bank reconciliation after February 2017.

Recommendation

Bank reconciliation should be performed on a monthly basis. Independent review of prepared bank reconciliation should always be performed by an administrator with accounting knowledge to ensure proper monitoring of the ASB activities. Upon reviewing the reconciliation the reviewer should sign and date the reconciliation to indicate it was reviewed. The review process will help identify any errors that may have otherwise gone unidentified.

Observation

Per review of the ASB account analysis report, it was noted that the ASB is not tracking the web store clearing account correctly. When a web store transaction occurs, the system automatically debits the web store clearing account and credits revenue. At a later date when funds are received the ASB will debit the checking account and credit revenue. This results in the web store clearing account continuing to grow as it is not reconciled and the revenue related to the web store transactions are recorded twice.

Recommendation

The ASB should revise its procedures to ensure the web store clearing account is properly reconciled. When the funds are received from the web store sales, the ASB should debit the checking account and credit the web store clearing account.

Gonzalo Felicitas Mendez Fundamental Intermediate School

Observations

During our review of the associated student body procedures, the following was noted:

1. Cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Three of three deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
2. Based on the review of cash receipting procedures over fund raising activity, it was noted that a deposit was not made intact. Per the Coin and Currency Count forms the deposit should have been in the amount of $2,348; however the amount deposited was $1,847.50. The ASB was unable provide an explanation for the variance of $500.50. In addition, it was noted that the ASB doesn't have procedures in place to ensure there are two individuals present during the cash count.

3. Based on the review of the cash receipting procedures, it was noted that three of five deposits tested were not deposited in a timely manner. Delay in deposit ranged from approximately 16 to 21 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. Based on the review of the disbursement procedures, it was noted that two of four disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
5. Based on the review of the disbursement procedures, it was noted that ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, two of four vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
6. Open purchase orders are being liberally used for ASB disbursements. Many of the purchase orders were created at the beginning of the year for a flat amount and covered general purchases. These purchase orders did not identify specific vendors that the ASB would engage in business transactions with. Instead they were approved for a generic list of items the club might purchase. The use of such purchase requests prevents the ASB from identifying deficit spending and prevents the ASB from engaging in the proper pre-approval of transactions.
7. Perpetual inventory is not calculated and reconciled to the periodic inventory count done at the end of the fiscal year.
8. Revenue potential forms do not provide a section to include actual revenues and expenditures activity of a fundraiser. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.
9. A master ticket log, for the pre-numbered wrist bands, is not being used by the sites to account for all tickets on hand and used during the year.
10. Per review of the ticket sales report, it was noted that for one of the school dances the ASB utilized 228 wristbands; however, per review of the Blue Bear report it was noted that only 135 wristbands were sold. In addition, the wristbands were not sold sequentially. The ASB was unable to locate the missing wristbands.
11. Per review of the account analysis report, it was noted that the current year beginning balance does not agree to the prior year ending balance. The prior year ending balance was $26,777 and current year beginning balance was $65,508. The ASB is unable to reconcile the difference.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipt book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

2. In order to validate that collections are deposited timely and intact, the site should maintain proper documentation of the monies collected including identifying the receipts included in each deposit. In addition, it is recommended that the ASB revise their cash count procedures to have two people perform the count together and both sign-off the cash count sheet to deter misappropriation of cash.
3. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
5. All goods being ordered should be documented with explicit receiving documentation. 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.
6. The ASB should minimize the use of open purchase orders with high authorization amounts. The ASB should also be cognizant of its operating budget when creating these open purchase orders in order to prevent any instances of deficit spending. Furthermore, all purchase orders created and approved by the ASB should identify specific vendors that the ASB would engage in business transactions with. This would allow the ASB to facilitate the pre-approval of disbursement transactions.
7. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.
8. The ASB should revise their existing form to include a section for clubs to input the actual results of the fundraising activity and compute the difference between projected and actual. This will allow the ASB to adequately monitoring the profitability and accountability of their fundraising events. Moreover, by documenting the revenues from each fundraising event and reconciling the amount of actual cash collected provides a method to verify that all revenues are deposited intact.

9. A master ticket log should be maintained which notes the type of wristband, color, and current beginning wristband number in the batch. The wristbands should be safeguarded as if they were cash because stolen wristbands would equate to lost revenue for the site since these wristbands could be presented for admission rather than an individual paying for admission. When wristband batches are issued, they should be logged out noting the beginning wristband number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.
10. The ASB should revise their procedures over ticket sales to ensure wristbands are tracked and sold sequentially. In addition, the wristbands should be safeguarded as if they were cash because stolen wristbands would equate to lost revenue for the site since these wristbands could be presented for admission rather than an individual paying for admission.
11. The ASB should reconcile prior year ending to current year beginning balance. Upon noticing a variance, the ASB should further investigate the variance.

Middle College High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Three of four deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
2. Based on the review of the disbursement procedures, it was noted that nine of ten disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. Revenue potential forms are not consistently being completed for fundraising events. Through testing, it was noted that eight of ten revenue potential forms used for fundraising events was not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.

Valley High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that one of nine deposits tested was not deposited in a timely manner. Delay in deposit was 13 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that one of 16 disbursements tested was not approved prior to the transaction 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.
3. Based on the review of the disbursement procedures, it was noted that one of 16 expenditures was not adequately supported by an invoice.
4. Revenue potential forms are not consistently being completed for fundraising events. Through testing, it was noted that eight of ten revenue potential forms used for fundraising events was not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.
5. Perpetual inventory is not calculated and reconciled to the periodic inventory count done at the end of the fiscal year.
6. The ticket sale deposits are not counted by two individuals simultaneously. Not having a second person present creates an opportunity for cash to be misappropriated.
7. One of four ticket sales forms tested did not have an explanation of why there was a shortage.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. The site should maintain proper documentation of expenditures including invoices and receipts. ASB should ensure that all disbursement requests are supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of ASB funds.
4. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
5. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be from a physical inventory count and from there any items sold should be deducted from the count and any items purchased should be added to the count. This perpetual inventory counts should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associates Student Body of the site. In addition, the inventory report should be compared to the corresponding time periods sales to ensure that the amount of inventory noted as being sold corresponds to the amount of sales generated.
6. It is recommended that the ASB revise their ticket sales deposit count procedures to have two people perform the count together and both sign-off on the cash count sheet to deter misappropriation of cash.
7. Ticket sales forms should document any overages and shortages of cash and inform site personnel about potential problems in cash collections. An explanation of any overages/shortages must be documented on the form.

Governing Board
Santa Ana Unified School District

Cesar E. Chavez High School

Observations

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the cash receipting procedures, it was noted that three of three deposits tested were not deposited in a timely manner. Delay in deposit ranged from approximately 26 to 200 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that two of two disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. In reviewing the revenue potential forms, it was noted that all revenue potential forms were not completely filled out. Explanation for differences between budget and actual was not documented.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Santa Ana Unified School District (the "District") in connection with the execution and delivery of $66,985,000 aggregate principal amount of the District's 2018 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on April 10, 2018 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist RBC Capital Markets, LLC (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Assistant Superintendent, Business Services (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be Applied Best Practices, LLC.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at http://emma.msrb.org/, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated April 18, 2018 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 290 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2018, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a timely notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's most recently completed fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed):

(i) the most recently adopted General fund budget or interim report for current fiscal year;

(ii) Assessed valuations for the current fiscal year, including identification of the top 20 secured taxpayers and their respective secured property assessed valuations; and

(iii) Property tax levy, collections and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes; or

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person. For the purposes of the event identified in this Section 6(a)(ix), 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.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

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

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: May 16, 2018

SANTA ANA UNIFIED SCHOOL DISTRICT

By:____________________________________

Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Santa Ana Unified School District

Name of Issue: $66,985,000 2018 General Obligation Refunding Bonds

Date of Issuance: May 16, 2018

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated May 16, 2018. The Issuer anticipates that the Annual Report will be filed by ____________________.

Dated: ___________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

ORANGE COUNTY INVESTMENT POLICY STATEMENT

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Orange County Treasurer

2018 Investment Policy Statement

(Approved By B.O.S. 11/14/2017)

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ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

PURPOSE

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (the "Treasurer") and outline the policies to assist in maximizing the efficiency of the Treasurer's cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer's Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. (All references are to the California Government Code unless otherwise stated.)

I. POLICY STATEMENT

The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (the "OCIF"), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

II. SCOPE

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

1. FUNDS
The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all monies under the investment authority of the Treasurer, including funds, and subsets of funds, for the Orange County Department of Education; and excluding the County employee's pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds that are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County's CAFR and include:

- Governmental Funds, including the General Fund
- Enterprise Funds
- Fiduciary Funds
- Any other funds or new funds created by the County, unless specifically exempted

a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use of funds by allowing for more efficient cash flows, a reduction in transaction costs, and improved access to the market. In addition to allowing for one pool for all participants, OCIF may also be split into different pools to meet the specific needs of participants such as short-term pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements generally longer than one year. It will be invested primarily in high grade securities.

ii. If a short-term pool is established, it can be established as a single pool or as separate pools depending on the needs of the pool participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash–equivalent securities to fulfill the primary goals of safety and liquidity.

b) Specific Investment Accounts:

From time to time, the Treasurer may be asked by the County or a participant's governing board to invest other specific investments or to manage bond proceeds issued by the County, a local school district, voluntary participant, or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities, either in a pool or in specific investments as allowed by Government Code. The County or the participating agencies will be required to sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity.

In addition, no investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years , unless the appropriate legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment. Strategies for such deposits may include matching maturities with long-term liabilities.

III. PRUDENCE

Government Code Sections 27000.3 and Section 53600.3 provide that the "prudent investor" standard is to be used by the Treasurer as a fiduciary of public funds. This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Treasurer and those delegated staff shall act in accordance with written procedures and the Investment Policy Statement, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. DELEGATION OF AUTHORITY

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

V. OBJECTIVES

Criteria for selecting investments and the absolute order of priority are:

1. SAFETY
   Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

   The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

   a) Credit Risk: Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

   b) Market Risk: Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

2. LIQUIDITY
   Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

3. YIELD
   Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic

cycles. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

4. MARK-TO-MARKET
   Investment pools, as described in Section II, 1 (a) of this Investment Policy Statement, are marked to market. To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a short-term pool will attempt to stabilize at a $1.00 net asset value (NAV). If the ratio of the market value of the short-term pool divided by the book value of the short-term pool is less than $.995 or greater than $1.005, holdings may be sold as necessary to maintain the ratio between $.995 and $1.005.

   The Treasurer will act on a "best efforts" basis to stabilize any short-term pools within the $.995 to $1.005 range. However, the $1.00 NAV is not guaranteed or insured by the Treasurer for any pool, including any longer-term pool, nor are the pools registered with the Securities Exchange Commission (SEC).

VI. AUTHORIZED INVESTMENTS

The County is authorized by Government Code Section 53600 et seq. to invest in specific types of securities. Investments not specifically listed below are prohibited. Consistent with the requirements of law and this Investment Policy Statement, the Treasurer may place orders for the execution of transactions with or through such broker/dealers, banks or counterparties as may be selected from time to time at his/her discretion. All securities must be U.S. dollar denominated. To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Sections VII and VIII, the pools may invest in the following areas.

1. U.S. TREASURY SECURITIES
   United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the percentage of a pool that can be invested in this category.

2. U.S. GOVERNMENT AGENCY SECURITIES
   Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). There is no limit on the percentage of a pool that can be invested in this category, but each issuer is limited to 50% of any individual pool's total assets except that GSE issuers rated "AA" or higher with final maturities of 30 days or less are excluded from the calculation of the 50% limit.

3. COMMERCIAL PAPER
   Eligible commercial paper shall not exceed 270 days maturity, and shall not exceed 40% of a pool. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
   a) Has total assets in excess of five hundred million dollars ($500,000,000), is organized and operating within the United States as a general corporation and has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

   b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond,.

No more than 5% of the total assets of any individual pool may be invested in any one issuer's commercial paper.

4. NEGOTIABLE CERTIFICATES OF DEPOSIT
Negotiable certificates of deposit issued by a nationally or state-chartered bank, savings association, or a federal association (as defined by Section 5102 of the California Financial Code), or by a federally licensed or state-licensed branch of a foreign bank. No more than 30% of any individual pool's total assets may be invested in negotiable certificates of deposit and maximum remaining maturity cannot exceed three years.

5. REPURCHASE AGREEMENTS
Investments in repurchase agreements for the purpose of this Investment Policy Statement means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date, and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

a) Collateralization:
In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

Collateral will be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2. Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. No collateral substitutions may be made without prior approval of the Treasurer.

Investments in repurchase agreements are limited to no more than 20% of any individual pool's total assets. Agreements are subject to Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. **BANKERS' ACCEPTANCES**
Bankers' acceptances, also known as time drafts or bills of exchange, that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

7. MONEY MARKET MUTUAL FUNDS
Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV) are prohibited. Money market mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review, but at least annually thereafter while the funds are invested in the money market mutual fund. At a minimum, approved money market mutual funds shall have met either of the following criteria:

a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000.

8. STATE POOL – LOCAL AGENCY INVESTMENT FUND
The Treasurer may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under Government Code Section 16429.1. LAIF has no final stated maturity and will be reported as a one-day maturity. Investments in LAIF shall not exceed $65 million per pool.

9. MUNICIPAL DEBT
Such instruments are defined as being issued by a local or state agency, including:

a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.

c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

10. MEDIUM-TERM NOTES
Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools and three years for any other pools such as a longer-term pool. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Investments in medium-term notes are limited to no more than 30% of any individual pool's total assets.

11. INVESTMENT POOLS
Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The Treasurer shall be required to investigate all local government investment pools prior to investing and perform a quarterly review thereafter while the funds are invested in the pool. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets. No more than 10% of an individual pool shall be invested in a single investment pool.

12. SUPRANATIONAL SECURITIES
Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and, Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States. Investments in supranationals shall not exceed 30 percent of any individual pool's total assets.

VII. INVESTMENT CREDIT RATING RESTRICTIONS

Credit ratings will be applied at the time of purchase of a security and monitored for changes while owned. A downgrade subsequent to purchase in a security's credit rating will not constitute a violation of the Investment Policy Statement. Securities that are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

Municipal debt issued by the County of Orange, California (as defined in Section VI 9), U.S. Government obligations (as defined in Section VI 1 and VI 2) and State Pool (as defined in Section VI 8), are exempt from the credit rating requirements listed below. Money Market

Mutual funds (as defined in Section VI 7) and Investment Pools (as defined in Section VI 11) require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO. In addition, all Supranational Securities shall be rated "AA" or higher from all NRSROs that rate the issuer.

The credit ratings referred to in this policy must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation "S&P," Moody's Investors Service, Inc. "Moody's", and Fitch Ratings "Fitch". In addition, all investments, except those noted above, 1) must have the minimum ratings required below by two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

a) Short-term debt ratings:

"A-1" or "SP-1"	Standard & Poor's Corporation (S&P)
"P-1" or "MIG 1/VMIG 1"	Moody's Investors Service, Inc. (Moody's)
"F1"	Fitch Ratings (Fitch)

Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt with remaining maturities of 397 days or less must have no less than an "A" rating on long-term debt, from each of the NRSROs that rate the issuer.

Long-term debt ratings:
Investments purchased with remaining maturities longer than 397 days, shall have obtained no less than an "AA" rating by all NRSROs that rate the issuer. If an issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and ratings by all NRSROs must meet these minimum ratings.

b) Repurchase Agreement counterparties shall have a minimum short-term rating, or counterparty rating, of no less than A-1 or equivalent and have capital of not less than $500 million.

c) Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the following criteria are met and are also approved in writing by the Treasurer prior to purchase:
The issuer has:
(a) an A-1+ or F1+ short-term rating; and
(b) at least an AA or Aa2 or higher long-term rating from all NRSROs that rate the issuer.

d) If any issuer is placed on "Credit Watch-Negative" by any NRSRO, all related entities, including parent and subsidiaries, will also be placed on hold and subject to the above requirements.

VIII. DIVERSIFICATION AND MATURITY RESTRICTIONS

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in overconcentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and periodically reviewed.

1. AUTHORIZED INVESTMENTS AND ISSUER CONCENTRATION

Only debt issued by firms listed on the Office of the Treasurer's Approved Issuer List may be purchased. The following diversification limits will also be applied at the time of purchase of a security.

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100% Total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10% – County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
State of California Local Agency Investment Fund	$65 million per account	$65 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

2. MATURITY

a) The weighted average maturity (WAM) of any short-term pool, on a dollar-weighted basis, shall not exceed 60 days.

b) The maximum maturity of any investment purchased will be five years with the exception of investments and investment pools authorized by the Board of Supervisors or the appropriate legislative body to be invested in longer than five year maturities.

The following restrictions will apply:

Short-term	13 months (397)
Long-term	5 years

c) For purposes of calculating a final maturity date, the earlier of either the final maturity date, pre-refunded date, or mandatory put to tender option date that will be used.

d) For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

3. DURATION
   a) All pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%.

IX. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the Government Code, as may be amended from time to time. No investment prohibited by Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuation that are not in compliance with this Investment Policy Statement and cannot be corrected without penalty at time of purchase must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

1. The following transactions are prohibited:
   a) Borrowing for investment purposes ("Leverage").

   b) Reverse Repurchase Agreements, as defined by Government Code Section 53601(j) (3) and (j) (4) or otherwise.

   c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

   Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition.

Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips, or other callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section.

d) Structured Investment Vehicles (SIV).

e) Derivatives (e.g. options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all treasury and investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers, and vendors ("outside entities") that conduct business with the County of Orange and shall disclose any material financial investment positions in such outside entities.

1. STATEMENT OF ECONOMIC INTEREST FORM 700
The Treasurer, Auditor-Controller, members of the Treasury Oversight Committee, and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County's Conflict-of-Interest Code.

2. **COUNTY'S GIFT BAN ORDINANCE** – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.
The County's Gift Ban Ordinance prohibits the receipt of specified gifts to the Treasurer, Auditor-Controller, and "designated employees" from business entities and individuals that "do business with the County" as that termed in defined in the Ordinance. Under the Ordinance, the term "designated employee" includes every employee of the County who is designated in the County's Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. For purposes of the Treasurer's Office, "designated employees" include: the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all investment staff, all financial/credit analysts, all cash managers, and all accounting and compliance staff. The Treasurer will review this list of "designated employees" periodically and submit any proposed changes to the Board of Supervisors for approval.

XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a "well capitalized" national bank or Federal savings association as defined in Title

12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Section 27133(c) of the Government Code prohibits the selection of any broker, brokerage, dealer, or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period. The Treasurer shall conduct an annual review of each broker/dealer and financial institution's financial condition and registrations to determine whether it should remain on the approved list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The Treasurer shall, at least every two years, review all new broker/dealers and financial institutions submitting a questionnaire to determine if they should be added to the approved list. A detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall annually send a copy of the current Investment Policy Statement to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the Treasurer in writing of receipt and that they have read it.

XII. PERFORMANCE EVALUATION

The Treasurer shall submit monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the pool participants, the County Executive Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on investments for the County's Comprehensive Annual Financial Report.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCIF or the specific pool name as its registered owner except for municipal debt issued by the County of Orange and privately placed with the County Treasurer in which case the investments shall have the Orange County Treasurer on behalf of the OCIF as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer (this does not apply to money market funds or investment pools). The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity, and other pertinent information.

XIV. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code Sections 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Department's Accounting/Compliance Unit. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

1. INVESTMENT PROCEDURES

The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

XVI. EARNINGS AND COSTS APPORTIONMENT

The Treasurer determines the interest earnings for the respective pools on an accrual basis. Accrual basis interest earnings and Treasury administrative fees (see below) are allocated to each individual pool participant based upon their average daily balance on deposit with the Treasurer. The actual cash distribution is generally paid in the months following.

As authorized by Government Code Section 27013, the Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code Sections 27130 through 27137 shall be included as administrative costs. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with Government Code Section 27013. The Treasurer will be required to annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings and the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. As of the first working day of the following period, the pool participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs. The Treasurer's monthly report will state the current estimated fees charged to participants.

XVII. VOLUNTARY PARTICIPANTS

Should a local agency within Orange County, or a Joint Powers Agency (JPA) consisting of at least one public agency from within Orange County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Government Code Section 53684 and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of Government Code Section 27136, and the agency's understanding that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing. Upon the Treasurer's approval of voluntary participants to join the pool, the Treasurer will notify the Board of Supervisors within 5 days.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the OCIF and shall be invested by the Treasurer in accordance with this Investment Policy Statement, as amended from time to time. The local agency's authorized representative will execute an agreement with the Treasurer. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest local agency's excess funds which have been deposited for investment with the Treasurer.

XVIII. WITHDRAWAL

Withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer or designee. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury. (Government Code Sections 27000.3, 27133(h), 27136 and 53684(c))

XIX. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on, in order of importance, preservation of capital, liquidity, and yield.

The Treasurer's investment strategy is to actively manage the portfolios to create less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

XX. INVESTMENT POLICY STATEMENT REVIEW

This Investment Policy Statement shall be reviewed on an annual basis by the Treasury Oversight Committee prior to being presented to for review and approval by, the Board of Supervisors in an open session.

XXI. FINANCIAL REPORTING

The monthly Treasurer's Investment Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, the Treasury Oversight Committee, the presiding judge of the Superior Court, the director or director executive officer and Treasurer or other official responsible for the funds of any Local Agency who has investments in the OCIF as allowed by Government Code Sections 53607, 53646, and 53686.

All reports filed by the Treasurer in accordance with Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with Government Code 53646(b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XXII. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

XXIII. DISASTER RECOVERY PROGRAM

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office, and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

INVESTMENT POLICY STATEMENT
GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement. The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

AGENCY SECURITIES: (See U.S. Government Agency Securities)

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): (See Receivable-Backed Securities)

BANKERS' ACCEPTANCE (BA): Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALLABLE BONDS: Bonds that may be redeemed by the issuing company prior to the maturity date.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK: The risk to a bondholder that a bond may be redeemed prior to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD or NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)

CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

CREDIT OUTLOOK: (See Rating Outlook)

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organizations.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CREDIT WATCH: indicates that a company's credit is under review and credit ratings are subject to change.

+ (positive)	Credit is under review for possible upgrade.
- (negative)	Credit is under review for possible downgrade.
Evolving/Neutral	Credit is under review, direction uncertain.

COUPON: The rate at which a bond pays interest.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FEDERAL FUNDS RATE: Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system, which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FITCH, INC: (see Nationally Recognized Statistical Rating Organization)

FIXED-INCOME SECURITIES: Securities that return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTORLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT COMPANY ACT OF 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARK-TO-MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; and Fitch, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON-CALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REFUNDED BOND: A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 60-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR'S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE (SIV): A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

SUPRANATIONAL: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price appreciation) + (Dividends paid) + (Capital gains) = Total Return

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB), Resolution Trust Corporation (RTC), and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> Treasury bills: non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.
>
> Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.
>
> Treasury bonds: interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

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APPENDIX F

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, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official *Statement. The current "Rules" applicable to DTC are on file with the Securities an*d Exchange *Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are* on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 (or the Paying Agent on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository).Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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 thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in San Francisco, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

$66,985,000
SANTA ANA UNIFIED SCHOOL DISTRICT
(Orange County, California)
2018 General Obligation Refunding Bonds

CERTIFICATE OF SECRETARY

I, Stefanie P. Phillips, Ed.D., Secretary of the Board of Education (the "Board") of the Santa Ana Unified School District (the "District"), do hereby certify that:

(i) attached hereto is a true and correct copy of the resolution entitled "Resolution of the Board of Education of the Santa Ana Unified School District, Authorizing the Issuance and Sale of its 2018 General Obligation Refunding Bonds in an Aggregate Principal Amount not to Exceed Eighty Two Million Dollars" (the "Resolution") duly adopted by the Board at a meeting duly noticed and held on April 10, 2018, at which a quorum was present and acting throughout; and

(ii) such Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof.

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Dated: May 16, 2018

SANTA ANA UNIFIED SCHOOL DISTRICT

By: ______________________________

Stefanie P. Phillips, Ed.D.
Secretary of the Board of Education

[Signature page to Certificate of Secretary]

$66,985,000
SANTA ANA UNIFIED SCHOOL DISTRICT
(Orange County, California)
2018 General Obligation Refunding Bonds

RESOLUTION NO. 17/18-3224
BOARD OF EDUCATION
SANTA ANA UNIFIED SCHOOL DISTRICT
ORANGE COUNTY, CALIFORNIA

AUTHORIZING THE ISSUANCE AND SALE OF ITS 2018 GENERAL OBLIGATION REFUNDING BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED EIGHTY TWO MILLION DOLLARS

WHEREAS, a duly called election was held in Santa Ana Unified School District (the "District"), Orange County (the "County"), State of California, on June 3, 2008 and thereafter canvassed pursuant to law;

WHEREAS, at such election there was submitted to and approved by the requisite 55% vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of $200,000,000 payable from the levy of an *ad valorem* tax against the taxable property in the District (the "2008 Authorization");

WHEREAS, the District previously issued $99,997,856 Santa Ana Unified School District Election of 2008 General Obligation Bonds Series A (the "2008 Bonds") under the 2008 Authorization;

WHEREAS, prudent management of the fiscal affairs of the District requires that the District issue refunding bonds (the "Bonds") under the provisions of Article 9 (Sections 53550 and following) and Article 11 (Sections 53580 and following) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code to refund a portion of the Series A Bonds, provided that a sufficient level of savings may be achieved by doing so;

WHEREAS, it appears to the Board of Education of the District (the "Board") that the total net interest cost to maturity plus the principal amount of the Bonds (plus any costs of issuance not funded from proceeds of the Bonds) will not exceed the total net interest cost to maturity plus the principal amount of the 2008 Bonds being refunded by the Bonds (the "Refunded Bonds"), which, pursuant to California Government Code Sections 53552 and 53556, will permit the Board to issue the Bonds without approval of the electorate;

NOW THEREFORE, IT IS ORDERED by the Board of Education of Santa Ana Unified School District as follows:

SECTION 1. Definitions. The following terms shall for all purposes of this Resolution have the following meanings:

"Authorized Investments" shall mean the County Investment Pool, the County Educational Investment Pool (or other investment pools of the County into which the District may lawfully invest its funds), any investment authorized pursuant to Government Code Sections 16429.1, 53601 and 53635, but only to the extent that the same are acquired at Fair Market Value.

"Authorizing Law" shall mean Section 53550 *et seq.* of the Government Code of the State of California, as amended.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories including, but not limited to, through the Nominee.

"Board of Supervisors" means the Board of Supervisors of the County.

"Bond Counsel" and "Disclosure Counsel" means the law firm of Dannis Woliver Kelley, as Bond Counsel to the District and a firm of nationally recognized standing with respect to the issuance of municipal obligations.

"Bond Insurer" shall mean any financial guaranty company that guarantees the scheduled payments of principal of and interest on the Bonds when due.

"Bond Insurance Policy" shall mean a policy of municipal bond insurance which guarantees the scheduled payments of principal of and interest on the Bonds when due.

"Bond Obligation" shall mean, from time to time as of the date of calculation, the Principal Amount of a Bond.

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement, by and between the District and the Underwriter, relating to the Bonds.

"Bonds" shall mean the Santa Ana Unified School District 2018 General Obligation Refunding Bonds, issued and delivered pursuant to this Resolution.

"Bond Year" shall mean the twelve-month period commencing August 1 in any year and ending on the last day of July in the next succeeding year, both dates inclusive, or as otherwise set forth in the Bond Purchase Agreement; provided, however, that the first Bond Year shall commence on the day the Bonds are issued and shall end on July 31, 2018, both dates inclusive, or as otherwise set forth in the Bond Purchase Agreement.

"Business Day" shall mean a day that is not a Saturday, Sunday or a day on which banking institutions in the State or the State of New York and the New York Stock Exchange are authorized or required to be closed.

"Code" shall mean the Internal Revenue Code of 1986, as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds.

"Continuing Disclosure Agreement" shall mean the Continuing Disclosure Agreement of the District for the benefit of the Owners of the Bonds.

"Costs of Issuance" shall mean all of the costs of issuing the Bonds, including but not limited to, all printing and document preparation expenses in connection with this Resolution, the Bonds and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; financial advisor fees; rating agency fees and related travel expenses; auditor's fees; legal fees and expenses of Bond and Disclosure Counsel with respect to the financing; the initial fees and expenses of the Paying Agent; fees of the Escrow Agent; fees of the escrow verification agent, and other fees and expenses incurred in connection with the issuance of the Bonds or the redemption of the Refunded Bonds, to the extent such fees and expenses are approved by the District.

"County" shall mean Orange County, California.

"County Office of Education" shall mean the Office of Education of the County and such other persons as may be designated by the County Office of Education to perform the operational and disbursement functions hereunder.

"Debt Service" shall have the meaning given to that term in Section 22(c) of this Resolution.

"Debt Service Fund" shall mean the Debt Service Fund established pursuant to Section 22(a) of this Resolution.

"Depository" shall mean DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to this Resolution, any other securities depository that agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and that is selected by an Authorized Officer.

"DTC" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" shall mean The Bank of New York Mellon Trust Company N.A.

"Escrow Agreement" shall mean that Escrow and Deposit Agreement by and between the District and the Escrow Agent.

"Excess Earnings Fund" shall mean the Excess Earnings Fund established pursuant to Section 23 of this Resolution.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the Regulations, the term "investment" will include a hedge.

"Fiscal Year" shall mean the twelve-month period commencing on July 1 of each year and ending on the following June 30 or any other fiscal year in effect for the District.

"Interest Payment Date" shall mean February 1 and August 1 in each year, or as otherwise specified in the Bond Purchase Agreement, commencing on the date specified in the Bond Purchase Agreement.

"Nominee" shall mean the nominee of the Depository which may be the Depository, as determined from time to time by the Depository.

"Outstanding" when used with reference to the Bonds, shall mean, as of any date, Bonds theretofore issued or thereupon being issued under this Resolution except:

(i) Bonds canceled at or prior to such date;

(ii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 17 hereof;

(iii) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 43 of this Resolution.

"Owner" shall mean the registered owner, as indicated in the Bond Register, of any Bond.

"Participant" shall mean a member of or participant in the Depository.

"Paying Agent" shall mean The Bank of New York Mellon Trust Company N. A., its successors or assigns, acting in the capacity of paying agent, registrar, authenticating agent and transfer agent.

"Pledged Moneys" shall have the meaning given to that term in Section 21 of this Resolution.

"Principal" or "Principal Amount" shall mean, as of any date of calculation, the principal amount of a Bond.

"Principal Payment Date" shall mean August 1 in each year, or as otherwise specified in the Bond Purchase Agreement, commencing on the date specified in the Bond Purchase Agreement.

"Record Date" shall mean the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date.

"Regulations" shall mean applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Resolution" shall mean this Resolution of the Board providing for the issuance and sale of the Bonds.

"Securities Depositories" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000; and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the County may designate in a certificate of the County delivered to the Paying Agent.

"State" shall mean the State of California.

"Superintendent" shall mean the Superintendent of the District.

"Superintendent of Schools" shall mean the Superintendent of Schools of the County.

"Supplemental Resolution" shall mean any resolution supplemental to or amendatory of this Resolution, adopted by the Board in accordance with Section 40 or Section 41 hereof.

"Tax Certificate" shall mean a certificate as to arbitrage of the District delivered in connection with the issuance of the Bonds.

"Transfer Amount" shall mean the aggregate Principal Amount of a Bond to be transferred.

"Treasurer" shall mean the Treasurer and Tax Collector of the County or any authorized delegate thereof.

"Underwriter" shall mean RBC Capital Markets, LLC, as underwriter.

SECTION 2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and vice versa. Except where the context otherwise requires, words importing the singular shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

SECTION 3. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Authorizing Law.

SECTION 4. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the District and the Owners from time to time of the Bonds; and the pledge made in this Resolution shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof.

SECTION 5. Terms and Conditions of Sale. The Board hereby approves of the sale of the Bonds on a negotiated basis to the Underwriter. The District has determined that conditions in the municipal marketplace are sufficiently complex that the increased flexibility the Underwriter can provide in structuring and planning the sale of the Bonds dictates sale on a negotiated basis. The Bonds shall be sold at a negotiated sale upon the direction of the Superintendent, the Deputy Superintendent, Administrative Services, the Assistant Superintendent, Facilities & Governmental Relations or the Assistant Superintendent, Business Services of the District or any designee thereof (each, an "Authorized Officer"). The Bonds shall be sold pursuant to the terms and conditions set forth in the Bond Purchase Agreement, as described below.

Good faith estimates of (a) the true interest cost of the Bonds; (b) the sum of all fees and charges paid to third parties, including any such fees and charges which the Underwriter agrees to pay pursuant to the Bond Purchase Agreement (the "Finance Charge"); (c) the amount of proceeds to be received by the District (less the Finance Charge and any reserves and capitalized interest, if any); and (d) the total debt service payments on the Bonds through the final maturity of the Bonds are set forth on Exhibit B attached hereto and incorporated herein.

SECTION 6. Designation of Finance Team. The Board hereby confirms the designation of RBC Capital Markets, LLC, as Underwriter, Fieldman, Rolapp & Associates, Inc. as Financial Advisor and the law firm of Dannis Woliver Kelley, Long Beach, California, as Bond Counsel and Disclosure Counsel to the District in connection with the authorization and issuance of the Bonds. An Authorized Officer is hereby authorized to execute a legal services agreement with members of the finance team.

SECTION 7. Terms of Bonds. The Board hereby finds that prudent management of the fiscal affairs of the District requires that the District issue the Bonds to refund the Refunding Bonds. The Bonds shall be dated their date of delivery (or such other date as may be designated in the Bond Purchase Agreement). The Bonds shall bear interest at rates not to exceed the maximum rate permitted by law, on the dates and in the amounts as may be set forth in the Bond Purchase Agreement, payable upon maturity. The Bonds shall mature on August 1 of each of the years as set forth in the Bond Purchase Agreement, or such other maturity date as may be set forth in the Bond Purchase Agreement, through a date no later than the final maturity date of the Refunded Bonds. The Bond Purchase Agreement shall provide for optional, mandatory sinking fund and other types and terms of redemption for the Bonds as shall prove most advantageous in marketing said Bonds for the District.

SECTION 8. Approval of Bond Purchase Agreement. The Superintendent or any Authorized Officer, in consultation with Bond Counsel and such other officers of the District as shall be authorized by the Board, are hereby authorized and directed to issue and deliver the Bonds and to establish the final Principal Amount thereof, provided, however, that such combined Principal Amount (in one or more series) shall not exceed the maximum aggregate Principal Amount of $82,000,000. The form of the Bond Purchase Agreement attached hereto as Exhibit C is hereby approved. The Authorized Officers, or any authorized deputy, and such other officers of the District as may be authorized by the Board are, and each of them acting alone is, authorized and directed to execute and deliver the Bond Purchase Agreement for and in the name and on behalf of the District, with such additions, changes or corrections therein as the officer executing the same on behalf of the District may approve, in his/her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such officer's execution thereof, and any other documents required to be executed thereunder, and to deliver the same to the Underwriter. The Authorized Officers, or any authorized deputy, and such other officers of the District as may be authorized by the Board are, and each of them acting alone hereby is authorized and directed to negotiate with the Underwriter the interest rates on the Bonds and the purchase price of the Bonds to be paid by the Underwriter, which purchase price shall reflect an Underwriter's discount of not to exceed two hundred ninety five thousandths of one percent (0.295%) (not including original issue discount or any Costs of Issuance to be paid by the Underwriter) of the Principal Amount thereof. Final terms of the Bonds shall be as set forth in the Bond Purchase Agreement.

SECTION 9. Official Statement. The Board hereby approves the form of Preliminary Official Statement relating to the Bonds to be used and distributed, together with an Official Statement in connection with the sale of the Bonds, in each case with such changes as are approved by the Authorized Officer. An Authorized Officer and such other officers of the District as may be authorized by the Board are, and each of them acting alone hereby is, authorized to deliver copies of the Preliminary Official Statement and the Official Statement with such changes therein as such officer shall approve, in his or her discretion, as being in the best interests of the District. Upon approval of such changes by such officer, the Preliminary Official Statement shall be "deemed final" as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule") and an Authorized Officer is authorized to execute a certificate to that effect. Any Authorized Officer is hereby authorized and directed to execute such Official Statement with such changes therein, deletions therefrom and modifications thereto as such Authorized Officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 10. Approval of Escrow Agreement. The forms, terms and provisions of the Escrow Agreement are hereby approved. Any Authorized Officer is hereby authorized on behalf of the Board and in its name to execute and deliver the Escrow Agreement to the Escrow Agent, in substantially the form presented to and considered by this Board, with such changes therein as may be approved by the Authorized Officer executing the same, such approval to be conclusively evidenced by the execution thereof.

SECTION 11. Authorization of Officers. The officers of the District and their authorized representatives are, and each of them acting alone is, hereby authorized to execute any and all documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and necessary or appropriate to carry the same into effect and to carry out its purpose.

SECTION 12. Use of Bond Proceeds. Bonds of the District shall be issued in the name of the District in an aggregate Principal Amount not to exceed $82,000,000, and proceeds of the Bonds shall be applied to refund the Refunded Bonds in accordance with the Escrow Agreement and to pay the Costs of Issuance.

SECTION 13. Designation and Form; Payment.

(a) An issue of Bonds of one or more series entitled to the benefit, protection and security of this Resolution is hereby authorized in an aggregate Principal Amount not to exceed

$82,000,000. Such Bonds shall be general obligations of the District, payable as to Principal and interest from *ad valorem* taxes to be levied upon all of the taxable property in the District without limitation as to rate or amount (except certain personal property which is taxable at limited rates). The Bonds shall be designated "Santa Ana Unified School District 2018 General Obligation Refunding Bonds" with such additional series designations as may be necessary or advisable in order to market the Bonds, as set forth in the Bond Purchase Agreement. The Bonds shall be subject to redemption as further set forth in the Bond Purchase Agreement, pursuant to this Resolution.

(b) The forms of the Bonds shall be substantially in conformity with the standard forms of registered school district bonds, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference.

(c) Principal, premium, if any, and interest with respect to any Bond are payable in lawful money of the United States of America. Principal and premium, if any, is payable upon surrender thereof at maturity or earlier redemption at the office designated by the Paying Agent.

SECTION 14. Description of the Bonds.

(a) The Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof. The Bonds shall be dated and shall mature on the dates, in the years and in the Principal Amounts, and interest shall be computed at the rates, set forth in the Bond Purchase Agreement.

(b) Interest on each Bond shall accrue from its dated date as set forth in the Bond Purchase Agreement. Interest on Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date. Interest with respect to each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

SECTION 15. Book-Entry System.

(a) The Bonds shall be initially issued in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds within each series. Upon initial issuance, the ownership of each such Bond certificate shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (c) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond certificate shall bear a legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

With respect to Bonds registered in the Bond Register in the name of the Nominee, the District shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the District shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Participant, Beneficial Owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any redemption notice, (iii) the selection by the Depository and the Participants of the beneficial interests in the Bonds to be redeemed in part, or (iv) the payment to any Participant, Beneficial Owner or any other person, other than the Depository, of any amount with respect to Principal of, premium, if any, and interest on, the Bonds. The District may treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment of Principal of, premium, if any, and interest on, such Bond, for the purpose of giving Redemption Notices and other notices with respect to such Bond, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Paying Agent shall pay all Principal of, premium, if any, and interest on, the Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall be valid hereunder with respect to payment of Principal of, premium, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of Principal of, premium, if any, and interest, pursuant to this Resolution. Upon delivery by the Depository to the Paying Agent and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions hereof with respect to Record Dates, the word "Nominee" in this Resolution shall refer to such new nominee of the Depository.

(b) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Superintendent within 90 days after the District receives notice or become aware of such condition, as the case may be, subsection (a) hereof shall no longer be applicable and the Superintendent shall issue new bonds representing the Bonds as provided below. In addition, the District may determine at any time that the Bonds shall no longer be represented by book-entry securities and that the provisions of subsection (a) hereof shall no longer apply to the Bonds. In any such event, the Superintendent shall execute and deliver certificates representing the Bonds as provided below. Certificated securities issued in exchange for book-entry securities pursuant to this subsection shall be registered in such names and delivered in such denominations as the Depository shall instruct the District. The Superintendent shall then deliver certificated securities representing the new bonds to the persons in whose names such Bonds are so registered.

If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or cause to be prepared a new fully-registered book-entry security for each of the maturities of Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District and such securities depository and not inconsistent with the terms of this Resolution.

(c) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to Principal of, premium, if any, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

(d) The initial Depository under this Resolution shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

SECTION 16. Execution of the Bonds.

(a) The Bonds shall be executed in the name of the District by the manual or facsimile signature of the President of the Board and the manual or facsimile signature of the Secretary or the Clerk of the Board or by a deputy of either of such officers. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been issued by the District, such Bonds may, nevertheless, be issued, as herein provided, as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any of the Bonds may be signed and sealed by such persons as at the time of the execution of such Bonds shall be duly authorized to hold or shall hold the proper offices in the District, although at the date borne by the Bonds such persons may not have been so authorized or have held such offices.

(b) The Bonds shall bear thereon a certificate of authentication executed manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication duly executed by the Paying Agent shall be entitled to any right or benefit under this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent. Such certificate of the Paying Agent upon any Bond shall be conclusive evidence that the Bond so authorized has been duly authenticated and delivered under this Resolution and that the Owner thereof is entitled to the benefit of this Resolution.

SECTION 17. Transfer and Exchange. The transfer of any Bond may be registered upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer shown in Exhibit A hereto, duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute Owner of such Bond, whether the Principal, premium, if any, or interest with respect to such Bond shall be overdue or not, for the purpose of receiving payment of Principal, premium, if any, and interest with respect to such Bond and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor, maturity and Transfer Amount of other authorized denominations. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

SECTION 18. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, the Paying Agent, at the expense of the Owner, shall deliver a new Bond of like date, interest rate, maturity, Transfer Amount, series and tenor as the Bond so mutilated in exchange and substitution for such mutilated Bond, upon surrender and cancellation thereof. All

Bonds so surrendered shall be cancelled. If any Bond shall be destroyed, stolen or lost, evidence of such destruction, theft or loss may be submitted to the Paying Agent and if such evidence is satisfactory to the Paying Agent that such Bond has been destroyed, stolen or lost, and upon furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with such other reasonable regulations as the Paying Agent may prescribe and paying such expenses as the Paying Agent may incur the Paying Agent shall, at the expense of the Owner, execute and deliver a new Bond of like date, interest rate, maturity, Transfer Amount and tenor in lieu of and in substitution for the Bond so destroyed, stolen or lost. Any new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the District, whether or not the Bonds so alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of the Bonds.

SECTION 19. Bond Register. The Paying Agent shall keep or cause to be kept at its office sufficient books for the registration and registration of transfer of the Bonds. Upon presentation for registration of transfer, the Paying Agent shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books.

SECTION 20. Unclaimed Money. All money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective Owners of such Bonds, but any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption with respect to such Bonds shall have become due and payable shall be transferred to the general fund of the District; provided, however, that the Paying Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first class mail, postage prepaid, after a date in said notice, which date shall not be less than 90 days prior to the date of such payment, to the effect that said money has not been claimed and that after a date named therein, any unclaimed balance of said money then remaining will be transferred to the general fund of the District. Thereafter, the Owners of such Bonds shall look only to the general fund of the District for payment of such Bonds.

SECTION 21. Payment and Security for the Bonds. The Board of Supervisors shall annually at the time of making the levy of taxes for County purposes, levy a continuing direct *ad valorem* tax for the Fiscal Year upon the taxable property in the District without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) in an amount at least sufficient, together with moneys on deposit in the Debt Service Fund and available for such purpose, to pay the Principal of and interest on each Bond as each becomes due and payable in the next succeeding Bond Year. The tax levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The District hereby pledges as security for the Bonds and the interest thereon, all revenues from the property taxes collected from the aforementioned levy and the amounts on deposit in the District's Debt Service Fund, including the interest earnings thereon (the "Pledged Moneys"). The foregoing pledge is an agreement between the District and the owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist. The County shall deposit or cause to be deposited in the District's Debt Service Fund, the proceeds from the levy of the aforementioned tax that the County receives and all interest earnings thereon. The Pledged Moneys shall be used to pay the Principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable. The Bonds are the general obligations of the District and do not constitute an obligation of the County except as provided in this Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

SECTION 22. Debt Service Fund.

(a) The District shall deposit or cause to be deposited any accrued interest and any proceeds of the Bonds not applied towards payment of the Costs of Issuance or deposited into the escrow fund pursuant to the Escrow Agreement in the fund established and designated as the "Santa Ana Unified School District 2018 General Obligation Refunding Bonds Debt Service Fund" (the "Debt Service Fund") to be administered by the County and used only for the payment of the Principal of, premium, if any, and interest on the Bonds.

(b) All Pledged Moneys shall be deposited upon collection by the County into the Debt Service Fund and used for the payment of the Principal of, premium, if any, and interest on the Bonds.

(c) The County shall transfer or cause to be transferred from the Debt Service Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the Principal of, premium, if any, and interest due on the Bonds (collectively, the "Debt Service") on each Interest Payment Date. Debt Service on the Bonds shall be paid by the Paying Agent in the manner provided by law for the payment of Debt Service.

(d) The District shall cause moneys to be transferred to the extent needed to comply with the Tax Certificate. Any amounts on deposit in the Debt Service Fund when there are no longer any Bonds Outstanding shall be transferred to the general fund of the District.

SECTION 23. Establishment and Application of Excess Earnings Fund. The District shall establish a special fund designated "Santa Ana Unified School District 2018 General Obligation Refunding Bonds Excess Earnings Fund" (the "Excess Earnings Fund") which shall be administered by the County Office of Education for the account of the District and which shall be kept separate and apart from all other funds and accounts held hereunder. The District shall deposit, or cause to be deposited, moneys to the Excess Earnings Fund in accordance with the provisions of the Tax Certificate. Amounts on deposit in the Excess Earnings Fund shall only be applied to payments made to the United States or otherwise transferred to other accounts or funds established hereunder in accordance with the Tax Certificate.

SECTION 24. Payment of Costs of Issuance. The District may pay, or cause to be paid, Costs of Issuance using proceeds of the Bonds as provided in the Bond Purchase Agreement.

SECTION 25. Establishment of Additional Funds and Accounts. If at any time it is deemed necessary or desirable by the District, the County Office of Education may establish additional funds under this Resolution and/or accounts within any of the funds or accounts established hereunder.

SECTION 26. Redemption. The Bonds shall be subject to redemption as provided in the Bond Purchase Agreement.

SECTION 27. Selection of Bonds for Redemption. Whenever provision is made in this Resolution or in the Bond Purchase Agreement for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple.

SECTION 28. Notice of Redemption. When redemption is authorized or required pursuant to this Resolution or the Bond Purchase Agreement, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount, as appropriate, of such Bond to be redeemed, (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part and (h) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date in the case of Bonds, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice:

(a) At least 30 but not more than 60 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register. Notice of redemption may be given on a conditional basis in contemplation of a refunding of the Bonds.

(b) In the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of the notice required by clause (a) of this Section, such Redemption Notice shall be given by (i) first class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories.

(c) In the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of notice required by clause (a) of this Section, such Redemption Notice shall be given by (i) first class mail, postage prepaid, or (ii) overnight delivery service, to the Municipal Securities Rulemaking Board.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

SECTION 29. Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

SECTION 30. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for the payment of their redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided hereunder, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Resolution shall be cancelled upon surrender thereof and delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent upon written notice by the District given to the Paying Agent.

SECTION 31. Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the Principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

SECTION 32. Paying Agent, Appointment and Acceptance of Duties.

(a) The Board hereby consents to and confirms the appointment of The Bank of New York Mellon Trust Company, N.A. to act as Paying Agent for the Bonds under this Resolution. All fees and expenses incurred for services of the Paying Agent shall be the sole responsibility of the District. The Paying Agent shall have a corporate trust office in San Francisco or Los Angeles, California, or such other place as may be acceptable to the District.

(b) Unless otherwise provided, the office of the Paying Agent designated by the Paying Agent shall be the place for the payment of Principal of, premium, if any, and interest on the Bonds.

SECTION 33. Liability of Paying Agent. The Paying Agent makes no representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no liability in respect hereof or thereof.

SECTION 34. Evidence on Which Paying Agent May Act. The Paying Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may or may not be counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

SECTION 35. Compensation. The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution. In no event shall the Paying Agent be required to expend its own funds hereunder.

The fees and expenses of the Paying Agent not paid from the proceeds of the sale of the Bonds shall be paid each year from the Debt Service Fund, insofar as permitted by law, including specifically by Section 15232 of the Education Code.

SECTION 36. Ownership of Bonds Permitted. The Paying Agent or the Underwriter may become the Owner of any Bonds.

SECTION 37. Resignation or Removal of Paying Agent and Appointment of Successor.

(a) The Paying Agent initially appointed hereunder may resign from service as Paying Agent and the Superintendent may remove such Paying Agent or any subsequent Paying Agent as provided in the respective Paying Agent's service agreement. Without further action by the District, if at any time the Paying Agent shall resign or be removed, the District shall appoint a successor Paying Agent, which, if not the County, shall be a bank or trust company doing business in and having a corporate trust office in San Francisco or Los Angeles, California, with at least $50,000,000 in net assets. The Paying Agent shall keep accurate records of all funds administered by it and of all Bonds paid and discharged by it. Such records shall be provided, upon reasonable request, to the District in a format mutually agreeable to the Paying Agent and the District. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(b) In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor.

SECTION 38. Investment of Certain Funds. Moneys held in all funds and accounts established hereunder shall be invested and reinvested by the Treasurer in Authorized Investments to the fullest extent practicable as shall be necessary to provide moneys when needed for payments to be made from such funds or accounts. Nothing in this Resolution shall prevent any investment securities acquired as investments of funds held hereunder from being issued or held in book-entry form on the books of the Department of the Treasury of the United States. All investment earnings on amounts on deposit in the Excess Earnings Fund and the Debt Service Fund shall remain on deposit in such funds.

Earnings on the investment of moneys in the Debt Service Fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Debt Service Fund may only be applied to make payments of interest, principal, and premium, if any, on Bonds of the District.

All funds held in the Debt Service Fund of the District shall be invested at the sole discretion of the Treasurer of the County. Proceeds of the Bonds held by the Treasurer shall be invested at the Treasurer's sole discretion pursuant to law and the investment policy of the County, unless otherwise directed in writing by the District. The Treasurer is hereby authorized and requested to invest any or all funds held hereunder at the Treasurer's discretion pursuant to law and the investment policy of the County, both of which may be amended or supplemented from time to time, and in other investments, defined as permitted investments, in the Official Statement. In addition, to the extent permitted by law (a) at the written request of an authorized officer, each of whom is hereby expressly authorized to make such request, all or any portion of the building fund of the District may be invested on behalf of the District in Authorized Investments (b) at the written request of an Authorized Officer, each of whom is hereby expressly authorized to make such request, the Treasurer shall deposit any investment of all or any portion of the building fund of the District made pursuant to Education Code Section 41015 in accordance with the instructions of the Authorized Officer and Education Code Section 41016.

SECTION 39. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any fund or account shall be credited or charged to such fund or account.

The District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Resolution, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Resolution or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

SECTION 40. Supplemental Resolutions With Consent of Owners. This Resolution, and the rights and obligations of the District and of the Owners of the Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District; provided, however, that if a Bond Insurance Policy is in effect, and provided that the Bond Insurer, if any, complies with its obligations thereunder, the Bond Insurer shall be deemed to be the sole Owner of the Bonds for purposes of this sentence. Notwithstanding the foregoing, no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification thereof or hereof. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

SECTION 41. Supplemental Resolutions Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners, shall be fully effective in accordance with its terms:

(a) To add to the covenants and agreements of the County or the District in this Resolution, other covenants and agreements to be observed by the County or the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

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

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

(d) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in this Resolution;

(e) To make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds; or

(f) To amend or supplement this Resolution in any other respect, provided such Supplemental Resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners.

SECTION 42. Effect of Supplemental Resolution. Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

SECTION 43. Defeasance. If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the Principal of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash which is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent hereunder, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under this Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent hereunder and the obligation of the District to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 44. Bond Insurance. All or a portion of the Bonds may be sold with bond insurance or other form of credit enhancement, if the Superintendent or any Authorized Officer, in consultation with the Underwriter and the Financial Advisor, determines that the savings to the District resulting from the purchase of such bond insurance exceeds the cost thereof.

SECTION 45. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the terms of the Continuing Disclosure Agreement. Any Underwriter, any Owner or any Beneficial Owner 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 Section and the Continuing Disclosure Agreement.

SECTION 46. Tax Covenants. The District hereby covenants that it shall not, directly or indirectly, use or permit the use of any proceeds of any of the Bonds, or of any of the property financed or refinanced with the proceeds of the Bonds, or other funds of the District, or take or omit to take any action that would cause the Bonds to be deemed "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). To that end, the District shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury promulgated thereunder to the extent that such requirements are in effect and applicable to the Bonds.

The District further covenants and agrees to comply with the requirements of the Tax Exemption Certificate to be executed and delivered in connection with the delivery of the Bonds to the original purchasers thereof.

[*Remainder of this page intentionally left blank.*]

The foregoing resolution was, on the 10 day of April, 2018, adopted by the Board of Education of the Santa Ana Unified School District at a regular meeting by the following vote: 5-0

AYES: Amezcua, Rodriguez, Alvarez, Iglesias, Palacio

NOES: ______

ABSENT: ______

Clerk of the Board of Education of Santa Ana Unified School District

By: ______
Alfonso Alvarez, Ed.D.,