NEW ISSUE—BOOK-ENTRY ONLY

RATING:
S&P: "AA+"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$16,510,000
SAUSALITO MARIN CITY SCHOOL DISTRICT
(Marin County, California)
2015 General Obligation Refunding Bonds

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

The $16,510,000 Sausalito Marin City School District (Marin County, California) 2015 General Refunding Obligation Bonds (the "Bonds") are being issued by the Sausalito Marin City School District (the "District") pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Refunding Bond Law") and a resolution of the Board of Trustees of the District. The Bonds are being issued to (a) provide for the refunding of the District's outstanding (i) Sausalito Marin City School District (Marin County, California) General Obligation Bonds, Election of 2004, Series 2005, (ii) Sausalito Marin City School District (Marin County, California) General Obligation Bonds, Election of 2004, Series 2006A, comprised of current interest bonds and capital appreciation bonds, and (iii) Sausalito Marin City School District (Marin County, California) General Obligation Bonds, Election of 2004, Series 2006B, comprised of current interest bonds and capital appreciation bonds, and (b) pay for costs of issuance of the Bonds.

The Bonds constitute general obligations of the District. The Board of Supervisors of Marin County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2015. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$10,865,000 Serial Bonds

CUSIP† Prefix: 804569

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2015	$355,000	2.000%	0.150%	CK5	2027	$460,000	5.000%	2.220%c	CX7
2016	130,000	2.000	0.390	CL3	2028	505,000	5.000	2.370c	CY5
2017	150,000	2.000	0.650	CM1	2029	555,000	5.000	2.420c	CZ2
2018	175,000	2.000	0.850	CN9	2030	605,000	3.000	3.070	DA6
2019	200,000	3.000	1.040	CP4	2031	645,000	3.000	3.130	DB4
2020	220,000	3.000	1.240	CQ2	2032	690,000	3.000	3.190	DC2
2021	250,000	4.000	1.440	CR0	2033	735,000	3.125	3.240	DD0
2022	280,000	4.000	1.630	CS8	2034	785,000	3.125	3.290	DE8
2023	310,000	4.000	1.770	CT6	2035	835,000	3.125	3.340	DF5
2024	345,000	4.000	1.900	CU3	2036	890,000	3.125	3.360	DG3
2025	380,000	4.000	1.990	CV1	2037	945,000	3.125	3.380	DH1
2026	420,000	5.000	2.090c	CW9					

$5,645,000 3.375% Term Bonds maturing August 1, 2042; Price: 96.944% to Yield 3.550%—CUSIP: 804569 DN8†

This cover page and the inside cover page contain information for quick reference only. They are not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The following firm, serving as municipal advisor to the District, has structured this issue:

WULFF, HANSEN & CO.
ESTABLISHED 1931
INVESTMENT BANKERS

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about February 11, 2015.

George K. Baum & Company

January 27, 2015

c Priced to the August 1, 2025, par call date.

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

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

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

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

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

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

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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TABLE OF CONTENTS

SAUSALITO MARIN CITY SCHOOL DISTRICT
33 Buchanan Drive
Sausalito, California 94965
(415) 332-3190
http://www.smcsd.org

DISTRICT ADMINISTRATION

Steve Van Zant, *Superintendent*
Paula Rigney, *Chief Business Official*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

MUNICIPAL ADVISOR
Wulff, Hansen & Co.
San Francisco, California

PAYING AGENT, TRANSFER AGENT
and AUTHENTICATION AGENT
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

VERIFICATION AGENT
Grant Thornton LLP
Minneapolis, Minnesota

$16,510,000
SAUSALITO MARIN CITY SCHOOL DISTRICT
(Marin County, California)
2015 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and appendices hereto, provides information in connection with the sale of $16,510,000 2015 General Obligation Refunding Bonds (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the 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 District

Established in 1867, the Sausalito Marin City School District (the "District") serves students in grades K-8 in the southern portion of Marin County (the "County"), including the communities of Sausalito, Marin City and several military installations. The District has one regular elementary school (Bayside Elementary/Martin Luther King, Jr. Academy), serving grades K-8, and one charter school (Willow Creek Academy) serving grades K-8.

The District serves a student population of approximately 514 and has a total assessed valuation of taxable property for fiscal year 2014-15 of $3,333,763,284. The District's average daily attendance for fiscal year 2013-14 was 457.17 and its projected average daily attendance for fiscal year 2014-15 is 487.42

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent, appointed by the Board of Trustees, who is responsible for day-to-day District operations as well as the supervision of the District's other personnel.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2014, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

Sources of Payment for the Bonds

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

Authority for Issue; Purpose of Issue

The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Bond Law"). The Bonds are authorized to be issued pursuant to a resolution (the "Bond Resolution"), adopted by the Board of Trustees of the District (the "District Board") on January 13, 2015.

The Bonds are being issued to (a) provide for the refunding of the District's outstanding (i) Sausalito Marin City School District (Marin County, California) General Obligation Bonds, Election of 2004, Series 2005 (the "2005 Bonds"), (ii) Sausalito Marin City School District (Marin County, California) General Obligation Bonds, Election of 2004, Series 2006A, comprised of current interest bonds and capital appreciation bonds (the "2006A Bonds"), and (iii) Sausalito Marin City School District (Marin County, California) General Obligation Bonds, Election of 2004, Series 2006B, comprised of current interest bonds and capital appreciation bonds (the "2006B Bonds", and (b) pay for costs of issuance of the Bonds. See " —Sources and Uses of Funds" and "REFUNDING PLAN."

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2015.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY SYSTEM. In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel ("Bond Counsel"), subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX MATTERS."

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser thereof, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about February 11, 2015.

Continuing Disclosure

The District will covenant for the benefit of the holders of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Superintendent, Sausalito Marin City School District, 33 Buchanan Drive, Sausalito, CA 94965, telephone (415) 332-3190. The District may impose a charge for copying, mailing and handling.

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of the Bond Law. The Bonds are authorized pursuant to the Bond Resolution.

Purpose of Issuance

The Bonds are being issued to (a) provide for the refunding of the 2005 Bonds, the 2006A Bonds and the 2006B Bonds, and (b) pay for costs of issuance of the Bonds. See "—Sources and Uses of Funds" and "REFUNDING PLAN."

Other than the Bonds and the bonds to be refunded, the District has no other authorized or issued general obligation bonds. See APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure.

Security

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected with respect to the Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County Director of Finance will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County, through the County Director of Finance, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF BONDS."

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2015. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before February 15, 2015, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent; *provided however*, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any owner of Bonds in the aggregate principal amount of $1,000,000 or more. See also "Book Entry Only System" below.

See the maturity schedules on the cover page hereof and "DEBT SERVICE SCHEDULES—Bonds."

Payment

The redemption price, if any, on the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute obligations of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on and prior to August 1, 2025, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after August 1, 2026, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, 2025 (in such maturities and amounts as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Bonds maturing on August 1, 2042, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2038, and on each August 1 thereafter, to and including August 1, 2042, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2038	$1,000,000
2039	1,060,000
2040	1,125,000
2041	1,195,000
2042†	1,265,000

†Maturity

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bonds as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by five thousand dollars.

Notice of Redemption. The Paying Agent is required to give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bonds to be redeemed, the portion of the principal amount of such Bonds to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, or if the registered owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices, and by first class mail, postage prepaid, to the District and the respective owners of any registered Bonds designated for redemption at their addresses appearing on the bond register, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or 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 will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking 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 will be given in the same manner in which the notice of redemption was originally given. The actual receipt by the owner of any Bonds of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds. Upon the surrender of any Bonds redeemed in part only (other than Bonds redeemed from sinking fund payments), the Paying Agent shall execute and deliver to the registered owner thereof a new Bonds or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, 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 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 registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

The Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay all Bonds outstanding, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities (as defined below), as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of the Bonds will not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Bonds will cease and terminate, except for the obligation of the County and the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Defeasance Securities" means direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein; (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claims of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AA+" by Standard & Poor's if the Bonds are then rated by Standard & Poor's, and "Aaa" by Moody's Investors Service if the Bonds are then rated by Moody's Investors Service.

Partial Defeasance

A portion of the then-outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

> (a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay the designated outstanding maturities of Bonds, including all principal and interest and premium, if any; or
>
> (b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities, as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge the designated outstanding maturities of Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any such designated maturities of Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all such outstanding maturities of Bonds will cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the designated Bonds of such maturities not so surrendered and paid, all sums due with respect thereto.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (each, a "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Any Bond may be exchanged for Bonds of the same series of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer 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 the Bond at the principal office of the Paying Agent together with an assignment executed by the 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 will 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 Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District will sign and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Interest Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Bonds	$16,510,000.00
Plus: Net Original Issue Premium	485,435.70
Total Sources of Funds	$16,995,435.70
Uses of Funds:	
Deposit to 2005 Bonds Escrow Fund (1)	$5,829,858.75
Deposit to 2006A Bonds Escrow Fund (2)	1,866,474.20
Deposit to 2006B Bonds Escrow Fund (3)	9,067,529.61
Costs of Issuance (4)	231,573.14
Total Uses of Funds	$16,995,435.70

(1) Amounts deposited in the 2005 Bonds Escrow Fund will be applied to the defeasance and refunding of the 2005 Bonds. See "REFUNDING PLAN."

(2) Amounts deposited in the 2006A Bonds Escrow Fund will be applied to the defeasance and refunding of the 2006A Bonds. See "REFUNDING PLAN."

(3) Amounts deposited in the 2006B Bonds Escrow Fund will be applied to the defeasance and refunding of the 2006B Bonds. See "REFUNDING PLAN."

(4) Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, municipal advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

Debt Service Schedule

The following table shows the annual debt service schedule with respect to the Bonds (assuming no optional redemptions).

Period Ending	Principal (1)	Interest (2)	Total
8/1/15	$ 355,000	$ 268,248.78	$ 623,248.78
8/1/16	130,000	560,956.25	690,956.25
8/1/17	150,000	558,356.25	708,356.25
8/1/18	175,000	555,356.25	730,356.25
8/1/19	200,000	551,856.25	751,856.25
8/1/20	220,000	545,856.25	765,856.25
8/1/21	250,000	539,256.25	789,256.25
8/1/22	280,000	529,256.25	809,256.25
8/1/23	310,000	518,056.25	828,056.25
8/1/24	345,000	505,656.25	850,656.25
8/1/25	380,000	491,856.25	871,856.25
8/1/26	420,000	476,656.25	896,656.25
8/1/27	460,000	455,656.25	915,656.25
8/1/28	505,000	432,656.25	937,656.25
8/1/29	555,000	407,406.25	962,406.25
8/1/30	605,000	379,656.25	984,656.25
8/1/31	645,000	361,506.25	1,006,506.25
8/1/32	690,000	342,156.25	1,032,156.25
8/1/33	735,000	321,456.25	1,056,456.25
8/1/34	785,000	298,487.50	1,083,487.50
8/1/35	835,000	273,956.25	1,108,956.25
8/1/36	890,000	247,862.50	1,137,862.50
8/1/37	945,000	220,050.00	1,165,050.00
8/1/38	1,000,000	190,518.75	1,190,518.75
8/1/39	1,060,000	156,768.75	1,216,768.75
8/1/40	1,125,000	120,993.75	1,245,993.75
8/1/41	1,195,000	83,025.00	1,278,025.00
8/1/42	1,265,000	42,693.75	1,307,693.75
TOTAL	$16,510,000	$10,436,217.53	$26,946,217.53

(1) Includes mandatory sinking fund installments.
(2) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2015.

REFUNDING PLAN

A portion of the proceeds of the Bonds will be applied to the refunding of the 2005 Bonds, the 2006A Bonds and the 2006B Bonds.

Refunding of the 2005 Bonds. A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the "2005 Bonds Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), under an escrow agreement by and between the District and the Escrow Bank. The moneys deposited in the 2005 Bonds Escrow Fund will be in an amount sufficient to redeem the 2005 Bonds in full on March 16, 2015, at a redemption price equal to 100% of the principal amount thereof together with accrued interest to such date. The moneys deposited in the 2005 Bonds Escrow Fund will be held in cash, uninvested, until such redemption date.

Sufficiency of the deposits in the 2005 Bonds Escrow Fund will be verified by Grant Thornton LLP. Minneapolis, Minnesota (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL ACCURACY." Assuming the accuracy of the Verification Agent's computations, the District's obligations with respect to the 2005 Bonds will be discharged.

The moneys held and invested by the Escrow Bank in the 2005 Bonds Escrow Fund are pledged solely to the payment of amounts due and payable with respect to the 2005 Bonds. The funds deposited in the 2005 Bonds Escrow Fund will not be available for the payment of debt service on the Bonds.

Refunding of the 2006A Bonds. A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the "2006A Bonds Escrow Fund") to be created and maintained the Escrow Bank under an escrow agreement by and between the District and the Escrow Bank. A portion of the moneys deposited in the 2006A Bonds Escrow Fund will be invested in U.S. Treasury Securities—State and Local Series ("SLGS"). The moneys, the maturing SLGS and the interest thereon will be in an amount sufficient to (a) pay the principal of and interest on the current interest portion of the 2006A Bonds through August 1, 2016, and to redeem current interest portion of the 2006A Bonds in full on such date at a redemption price equal to 100% of the principal amount thereof, and (b) redeem the capital appreciation portion of the 2006A Bonds on August 1, 2016, at a redemption price equal to 100% of the accreted value thereof.

Sufficiency of the deposits in the 2006A Bonds Escrow Fund, the maturing principal of the SLGS therein, the investment earnings on such SLGS and the uninvested cash will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL ACCURACY." Assuming the accuracy of the Verification Agent's computations, the District's obligations with respect to the 2006A Bonds will be discharged.

The moneys and SLGS held and invested by the Escrow Bank in the 2006A Bonds Escrow Fund are pledged solely to the payment of amounts due and payable with respect to the 2006A Bonds. The funds deposited in the 2006A Bonds Escrow Fund will not be available for the payment of debt service on the Bonds.

Refunding of the 2006B Bonds. A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the "2006B Bonds Escrow Fund") to be created and maintained the Escrow Bank under an escrow agreement by and between the District and the Escrow Bank. A portion of the moneys deposited in the 2006B Bonds Escrow Fund will be invested in SLGS. The moneys, the maturing SLGS and the interest thereon will be in an amount sufficient to (a) pay the principal of and interest on the current interest portion of the 2006B Bonds through August 1, 2016, and to redeem current interest portion of the 2006B Bonds in full on such date at a redemption price equal to 100% of the principal amount thereof, and (b) redeem the capital appreciation portion of the 2006B Bonds on August 1, 2016, at a redemption price equal to 100% of the accreted value thereof.

Sufficiency of the deposits in the 2006B Bonds Escrow Fund, the maturing principal of the SLGS therein, the investment earnings on such SLGS and the uninvested cash will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL ACCURACY." Assuming the accuracy of the Verification Agent's computations, the District's obligations with respect to the 2006B Bonds will be discharged.

The moneys and SLGS held and invested by the Escrow Bank in the 2006B Bonds Escrow Fund are pledged solely to the payment of amounts due and payable with respect to the 2006B Bonds. The funds deposited in the 2006B Bonds Escrow Fund will not be available for the payment of debt service on the Bonds.

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, 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. See APPENDIX G—BOOK-ENTRY SYSTEM.

THE DISTRICT

General Information

Established in 1867, the District serves students in grades K-8 in the southern portion of the County (the ", including the communities of Sausalito, Marin City and several military installations. The District has one regular elementary school (Bayside Elementary/Martin Luther King, Jr. Academy), serving grades K-8, and one charter school (Willow Creek Academy) serving grades K-8.

The District's average daily attendance for fiscal year 2013-14 was 457.17 and its projected average daily attendance for fiscal year 2014-15 is 487.42. The District has budgeted for approximately 35 employees. Budgeted full-time-equivalent positions (FTEs) include 17.6 certificated (credentialed teaching) staff and 10.44 classified (non-teaching) staff. These figures include management personnel. The District has budgeted general fund expenditures of approximately $3,133,006 for fiscal year 2014-15. The District has a 2014-15 assessed valuation of $3,333,763,284. The District operates under the jurisdiction of the County Superintendent of Schools.

Governing Board and Administration

The District is governed by a five member Board of Trustees, whose members are elected at large to four-year terms. The members of the District Board elect a president each year.

BOARD OF TRUSTEES
Sausalito Marin City School District

Name	Position	Expiration of Term
Caroline Van Alst	President	December 2016
Joshua Barrow	Vice President	December 2018
Ida Times	Clerk	December 2018
Thomas Newmeyer	Trustee	December 2018
William J. Ziegler, Esq,	Trustee	December 2016

Source: Sausalito Marin City School District

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools, Steve Van Zant, and by the District's Chief Business Official, Paula Rigney. Mr. Van Zant has served as Superintendent for the District since July of 2013.

Average Daily Attendance and Enrollment

The following table summarizes the historical and current year estimated average daily attendance and enrollment for the District.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT
Sausalito Marin City School District
Fiscal Years 2006-07 to 2014-15

	District School		Charter School		District Total	
Fiscal Year	Average Daily Attendance	Enrollment	Average Daily Attendance	Enrollment	Average Daily Attendance	Enrollment
2007-08	119.7	126	134.87	143	254.57	269
2008-09	168.15	177	139.53	147	307.68	324
2009-10	163.4	172	168.14	177	331.54	349
2010-11	159.6	168	204.82	215	364.42	383
2011-12	126.53	147	235.69	250	362.22	397
2012-13	122.75	135	279.02	292	401.77	427
2013-14*	148.27	160	308.90	325	457.17	485
2014-15**	148.27	156	339.15	358	487.42	514

Source: Sausalito Marin City School District
*Projected.
** Budgeted.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to 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). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District receives approximately 53% of its total general fund operating revenues from local property taxes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county Director of Finance prepares and mails tax bills to taxpayers and collects the taxes. In addition, the Director of Finance, as ex officio treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See "DISTRICT FINANCIAL INFORMATION" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

The table below shows the assessed valuation in the District for the past five fiscal years.

HISTORIC ASSESSED VALUATIONS
Sausalito Marin City School District
Fiscal Years 2010-11 to 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2010-11	$2,874,134,390	$147,015	$160,667,490	$3,034,948,895
2011-12	$2,861,182,495	$147,015	$154,391,725	$3,015,721,235
2012-13	$2,894,059,164	$147,015	$158,561,390	$3,052,767,569
2013-14	$2,945,222,871	$147,015	$152,022,359	$3,097,392,245
2014-15	$3,155,991,384	$147,015	$177,624,885	$3,333,763,284

Source: California Municipal Statistics, Inc.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Sausalito Marin City School District
Fiscal Year 2014-15

	2014-15 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non Residential:				
Commercial	$ 439,650,032	13.93%	194	4.62%
Vacant Commercial	5,783,138	.18	28	.67
Industrial	106,605,834	3.38	57	1.36
Vacant Industrial	3,780,544	.12	40	.95
Government/Social/Institutional	1,000,211	.03	38	.91
Subtotal Non-Residential	$ 556,819,759	17.64%	357	8.50%
Residential:				
Single Family Residence	$1,407,805,164	44.61%	1,445	34.42%
Condominium/Townhouse	565,800,405	17.93	1,212	28.87
Houseboats	76,151,861	2.41	379	9.03
2+ Residential Units/Apartments	533,653,385	16.91	647	15.41
Vacant Residential	15,760,810	.50	158	3.76
Subtotal Residential	$2,599,171,625	82.36%	3,841	91.50%
Total	$3,155,991,384	100.00%	4,198	100.00%

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

The following table focuses on single-family residential properties only, which comprise approximately 45% of the assessed value of taxable property in the District. The average assessed value per parcel is $974,260, and the median assessed value per parcel is $813,750.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Sausalito Marin City School District
Fiscal Year 2014-15

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,445	$ 1,407,805,164	$ 974,260	$ 813,750

2013-14 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	64	4.429%	4.429%	$ 4,392,616	0.312%	0.31%
$100,000 - $199,999	145	10.035	14.464	21,731,680	1.544	1.856
$200,000 - $299,999	114	7.889	22.353	28,297,115	2.010	3.866
$300,000 - $399,999	76	5.260	27.612	26,727,257	1.899	5.764
$400,000 - $499,999	58	4.014	31.626	25,778,370	1.831	7.595
$500,000 - $599,999	72	4.983	36.609	39,858,725	2.831	10.427
$600,000 - $699,999	92	6.367	42.976	59,554,182	4.230	14.657
$700,000 - $799,999	86	5.952	48.927	64,585,765	4.588	19.245
$800,000 - $899,999	80	5.536	54.464	67,835,079	4.818	24.063
$900,000 - $999,999	86	5.952	60.415	81,747,179	5.807	29.87
$1,000,000 - $1,099,999	69	4.775	65.190	72,548,858	5.153	35.023
$1,100,000 - $1,199,999	68	4.706	69.896	78,039,313	5.543	40.566
$1,200,000 - $1,299,999	55	3.806	73.702	68,568,056	4.871	45.437
$1,300,000 - $1,399,999	58	4.014	77.716	77,924,451	5.535	50.972
$1,400,000 - $1,499,999	47	3.253	80.969	67,979,089	4.829	55.801
$1,500,000 - $1,599,999	39	2.699	83.668	60,372,223	4.288	60.089
$1,600,000 - $1,699,999	31	2.145	85.813	51,102,751	3.630	63.719
$1,700,000 - $1,799,999	27	1.869	87.682	47,280,954	3.358	67.078
$1,800,000 - $1,899,999	27	1.869	89.550	50,073,092	3.557	70.635
$1,900,000 - $1,999,999	20	1.384	90.934	38,874,030	2.761	73.396
$2,000,000 and greater	131	9.066	100	374,534,379	26.604	100
Total	1,445	100.00%		$1,407,805,164	100.00%	

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

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area ("TRA") within the District for the past five fiscal years. TRA 9-000 comprises approximately 85% of the total assessed value of property in the District.

TYPICAL TAX RATE PER $100 ASSESSED VALUATION
Sausalito Marin City School District
Fiscal Years 2010-11 to 2014-15

Total Tax Rates (TRA 9-000 2014-15 Assessed Valuation: $2,832,635,781)

	2010-11	2011-12	2012-13	2013-14	2014-15
General	1.0000	1.0000	1.0000	1.0000	1.0000
Tamalpais Union High School District	.0482	.0410	.0371	.0386	.0352
Marin Community College District	.0136	.0175	.0178	.0253	.0180
Sausalito-Marin City School District	.0255	.0258	.0254	.0204	.0238
City of Sausalito	.0186	.0208	.0175	.0181	.0164
Total	1.1059	1.1051	1.0978	1.1024	1.0934

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

The following table reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District for the past five fiscal years.

SECURED TAX CHARGE AND DELINQUENCY
Sausalito Marin City School District
Fiscal Years 2009-10 to 2013-14

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent as of June 30	% Delinquent as of June 30
2009-10	$692,095.28	$21,103.73	3.05%
2010-11	$721,653.04	$21,271.78	2.95%
2011-12	$729,713.39	$13,679.04	1.87%
2012-13	$730,009.86	$10,272.80	1.41%
2013-14	$749,279.79	$ 6,889.54	0.92%

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

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has 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. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities. The Teeter Plan is applicable to secured property tax levies.

The Teeter Plan 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 receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, 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, but penalties and interest would be credited to the political subdivisions.

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

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2014-15, representing 10.17% of the District's total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Sausalito Marin City School District
Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total[1]
1.	Tishman Speyer Archstone-Smith	Apartments	$ 37,557,177	1.19%
2.	Marin Gateway GARP LLC	Commercial	36,015,745	1.14
3.	CA-One & Three Harbor Drive Office	Commercial	33,000,000	1.05
4.	Shoreline Office Center LLC	Commercial	26,876,010	0.85
5.	MCSSM LLC	Commercial	23,516,190	0.75
6.	Casa Madrona Hotel & Spa LLC	Commercial	21,486,189	0.68
7.	Walter G. Crump IV	Industrial	16,750,941	0.53
8.	Tottenham Investments Inc.	Apartments	16,072,569	0.51
9.	Mariners Landing LLC	Industrial	15,300,001	0.48
10.	Harrison Holdings LLC	Commercial	13,613,633	0.43
11.	ARE WCP Mill Valley Hotel LLC	Commercial	12,989,598	0.41
12.	ICB Associates LLC	Industrial	8,951,739	0.28
13.	Winblad Associates LP	Industrial	8,002,647	0.25
14.	Joseph B. and Frances M. Brucia	Commercial	7,803,007	0.25
15.	Clipper Yacht Company LLC	Industrial	7,470,296	0.24
16.	Robert W. Matschullat	Residential	7,274,449	0.23
17.	Professional Financial Investors	Industrial	7,225,000	0.23
18.	Marterie Family Trust	Industrial	7,122,894	0.23
19.	Richard G. Burge Family Trust	Commercial	7,094,935	0.22
20.	Sausalito Alta Mira LLC	Commercial	6,958,735	0.22
			$ 321,081,755	10.17%

Source: California Municipal Statistics, Inc.
(1) 2014-15 Local secured and utility assessed valuation: $3,155,991,384.

Risk of Decline in Property Values; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase, although the District does not currently have any voter authorization to issue additional bonds.

State-Assessed Property. Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Tax Collector against all taxing agencies who received tax revenues, including the District.

Proposition 8. 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 form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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. 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 or County assessor reviews in the future will not significantly reduce the assessed valuation of property within the District.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of December 1, 2014, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Sausalito Marin City School District
As of December 1, 2014

SAUSALITO-MARIN CITY SCHOOL DISTRICT

2014-15 Assessed Valuation: $3,333,763,284

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/14
Marin Community College District	5.369%	$11731,802
Tamalpais Union High School District	9.141	12,324,353
Sausalito-Marin City School District	**100.**	**13,294,924** (1)
City of Sausalito	100.	12,683,894
Marin County Community Facilities District No. 1	100.	4,520,000
Marin Municipal Water District Wolfbackridge Assessment District	100.	325,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$54,879,973
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Marin County Certificates of Participation	5.359%	$ 3,692,721
Marin County Pension Obligation Bonds	5.359	5,530,220
Marin County Transit District General Fund Obligations	5.359	8,072
Marin Municipal Water District General Fund Obligations	6.871	8,420
Marin Community College District General Fund Obligations	5.369	143,666
Sausalito-Marin City School District General Fund Obligations	**100.**	**4,580,000**
City of Sausalito General Fund Obligations	100.	361,249
Town of Tiburon General Fund Obligations	0.288	680
Southern Marin Fire Protection District General Fund Obligations	35.251	74,697
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$14,399,725
OVERLAPPING TAX INCREMENT DEBT:		
Marin County Redevelopment Agency	100. %	$4,520,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		$4,520,000
COMBINED TOTAL DEBT		$73,799,698(2)

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($13,294,924) 0.40%
Total Direct and Overlapping Tax and Assessment Debt 1.65%
Combined Direct Debt ($17,874,924) 0.54%
Combined Total Debt..2.21%

Ratios to Redevelopment Incremental Valuation ($139,227,787):
Total Overlapping Tax Increment Debt 3.25%

Source: California Municipal Statistics, Inc.
(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

COUNTY INVESTMENT POOL

In accordance with Section 41001 of the California Education Code, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer-tax collector serves as ex officio treasurer for those school district located within the county. Each treasurer-tax collector has the authority to invest school district funds held in the county treasury. Generally, the treasurer-tax collector pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 *et seq.* of the California Government Code. In addition, each treasurer-tax collector is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the Director of Finance, Marin County, 3501 Civic Center Drive, Room 225, San Rafael, California, 94903, Telephone: (415) 473-6154. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of December 31, 2014, is included here in APPEDIX D—COUNTY QUARTERLY INVESTMENT REPORT.

LEGAL OPINIONS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel for the District. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California Person income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX E—FORM OF OPINION OF BOND COUNSEL.

MUNICIPAL ADVISOR

Wulff, Hansen & Co., San Francisco, California, has served as municipal advisor (the "Municipal Advisor") to the District in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Municipal Advisor are contingent upon the sale and delivery of the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than March 31 after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2013-14 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). During the last five years, the District has been in compliance with its continuing disclosure obligations with respect to all outstanding issues.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District 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 contesting the District's ability to issue and retire the Bonds.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the ratings of "AA+" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at 55 Water Street, New York, NY 10041. Generally, a rating agency bases it rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will examine the arithmetical accuracy of certain computations included in the schedules relating to the refunding of the 2005 Bonds, the 2006A Bonds and the 2006B Bonds. See "REFUNDING PLAN." The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITING

Following a competitive sale, the Bonds are being purchased by George K. Baum & Company (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $16,922,443.98 (being equal to the aggregate principal amount of the Bonds ($16,510,000), plus a net original issue premium of $485,435.70, less an Underwriter's discount of $72,991.72). The Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the notice of sale for the Bonds, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution, the Continuing Disclosure Certificate of the District and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District Board.

SAUSALITO MARIN CITY SCHOOL DISTRICT

By /s/ Steve Van Zant
Steve Van Zant
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

While the economics of the City of Sausalito (the "City") and Marin County (the "County") and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

General

The City of Sausalito (the "City") is located in central Marin County (the "County"). The City is 8 miles (13 km) south-southeast of San Rafael, the County seat, at an elevation of 13 feet (4 m). The community is situated near the northern end of the Golden Gate Bridge, and prior to the building of that bridge served as a terminus for rail, car, and ferry traffic. Developed rapidly as a shipbuilding center in World War II, the city's industrial character gave way in postwar years to a reputation as a wealthy and artistic enclave, a picturesque residential community (incorporating large numbers of houseboats), and a tourist destination. It is adjacent to, and largely bounded by, the protected spaces of the Golden Gate National Recreation Area.

The County is included in the San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area. It is across the Golden Gate Bridge from San Francisco. Marin County is well known for its natural beauty, liberal politics, and affluence. Marin County is among the leading counties in the United States in income per capita. The county is governed by the Marin County Board of Supervisors. The County seat is San Rafael. Marin County's natural sites include the Muir Woods redwood forest, the Marin Headlands, Stinson Beach, the Point Reyes National Seashore, and Mount Tamalpais.

Organization

The City was incorporated on September 4, 1893 as a general law city. The City operates under a Council/Manager form of government. Policy-making and legislative authority are vested in a City Council consisting of mayor and four other members, all elected on a non-partisan, at large basis. The City Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve overlapping four-year terms. The mayor is appointed by the City Council on rotating one-year terms.

Population

The table below summarizes population of the City and the County for the past five years.

POPULATION
City of Sausalito and Marin County

Year	City of Sausalito	Marin County
2010	7,061	252,409
2011	7,067	253,040
2012	7,097	253,373
2013	7,136	254,696
2014	7,175	255,846

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark. Sacramento, California, May 2014.

Employment

The following table summarizes the historical numbers of workers by industry in Marin County for the last five years:

MARIN COUNTY
Labor Force and Industry Employment
Annual Averages by Industry

	2009	2010	2011	2012	2013 (1)
Total, All Industries	103,400	101,900	103,200	106,100	109,600
Total Farm	500	500	400	400	400
Total Nonfarm	102,900	101,400	102,800	105,700	109,200
Goods Producing	8,200	7,800	7,600	7,600	7,900
Mining, Logging and Construction	6,200	5,800	5,600	5,500	5,600
Manufacturing	2,000	2,000	1,900	2,000	2,300
Service Providing	94,700	93,700	95,200	98,100	101,200
Trade, Transportation & Utilities	16,500	17,000	16,900	17,400	17,700
Information	2,000	2,100	2,600	2,800	2,900
Financial Activities	7,500	6,900	7,000	7,100	7,300
Professional & Business Services	18,500	18,300	17,700	18,500	19,000
Educational & Health Services	17,900	17,100	17,300	18,100	19,300
Leisure & Hospitality	12,700	12,200	12,900	13,700	14,500
Other Services	4,700	5,000	4,800	5,000	5,200
Government	15,000	15,000	16,000	15,500	15,400

Source: California Employment Development Department based on March 2013 benchmark.
(1) Last available full year data.
*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

The following tables summarize historical employment and unemployment for Marin County, the State of California and the United States for the past five years:

MARIN COUNTY, CALIFORNIA, AND UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate [1]
2009	Marin County	132,000	121,800	10,200	7.7%
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Marin County	134,200	123,500	10,700	8.0%
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Marin County	136,900	126,900	10,100	7.4%
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Marin County	139,800	130,900	8,800	6.3%
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Marin County	141,900	134,700	7,200	5.0%
	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

Source: California Employment Development Department, based on March 2013 benchmark and US Department of Labor, Federal Bureau of Labor Statistics

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

Major Employers

The table below sets forth the principal employers of the City and the County.

CITY OF SAUSALITO
2014 Principal Employers

Employer	Employees	Percentage of Total Labor Force
Butler Shine Stern Partners LLC	147	2.58%
CP Shades	98	1.72
The Trident	95	1.67
The Spinnaker	75	1.32
City of Sausalito	74	1.30
Mollie Stone's Market	78	1.37
Poggio LP	65	1.14
Scoma's	63	1.11
Backen, Golliam & Kroeger	60	1.05
Fish Restaurant	49	1.06
Totals	804	14.11%

Source: City of Sausalito . Total labor force is 5,700.

MARIN COUNTY
2014 Major Employers

Company	Location	Industry
Autodesk Inc	San Rafael	Computer Programming Services
Bay Area Sea Kayakers	San Rafael	Membership Sports & Recreation Clubs
Bradley Real Estate	Belvedere Tiburon	Real Estate
Cagwin & Dorward Landscape	Novato	Landscape Contractors
College of Marin	Kentfield	Schools-Universities & Colleges Academic
Community Action Marin	San Rafael	Non-Profit Organizations
Corrections Dept	San Quentin	State Govt-Correctional Institutions
Dominican University of Ca	San Rafael	Schools-Universities & Colleges Academic
Fair Isaac Corp	San Rafael	Credit Reporting Agencies
Fireman's Fund Insurance Co	Novato	Insurance
Kaiser Permanente Medical Ctr	San Rafael	Hospitals
Lucas Licensing	Nicasio	Video Production & Taping Service
Macy's	Corte Madera	Department Stores
Managed Health Network Inc	San Rafael	Health Plans
Marin Community College	Kentfield	Schools-Universities & Colleges Academic
Marin County Sheriff's Dept	San Rafael	Sheriff
Marin General Hospital	Greenbrae	Hospitals
Nordstrom	Corte Madera	Department Stores
Novato Community Hospital	Novato	Hospitals
San Francisco State University	Belvedere Tiburon	Schools-Universities & Colleges Academic
San Rafael Human Resources	San Rafael	Government Offices-City, Village & Twp
Sonnen Motorcars-Audi-Vw	San Rafael	Automobile Dealers-New Cars
Sutter Health Facility	Novato	Hospitals
Township Building Svc Inc	Novato	Janitor Service
Westamerica Bancorp	San Rafael	Holding Companies (Bank)

Source: California Employment Development Department. Data retrieved November 2, 2014.

Construction Activity

The following tables reflects the five-year history of building permit valuation for the City and the County:

CITY OF SAUSALITO
Building Permits and Valuation
(Dollars in Thousands)

	2009	2010	2011	2012	2013
Permit Valuation:					
New Single-family	$ 3,025	$ 4,809	$ 1,112	$ 1,162	$ 205
New Multi-family	-	-	-	-	-
Res. Alterations/Additions	5,048	7,225	12,308	9,535	8,118
Total Residential	8,074	12,034	13,420	10,697	8,323
Total Nonresidential	1,426	3,065	7,648	5,103	12,165
Total All Building	$ 9,500	$ 15,100	$ 21,068	$ 15,800	$ 20,488
New Dwelling Units:					
Single Family	3	4	1	2	1
Multiple Family	-	-	-	-	-
Total	3	4	1	2	1

MARIN COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2009	2010	2011	2012	2013
Permit Valuation:					
New Single-family	$ 42,437	$ 59,252	$ 35,394	$ 36,152	$ 59,423
New Multi-family	18,928	-	7,621	4,927	33,397
Res. Alterations/Additions	138,760	144,548	160,275	132,762	152,065
Total Residential	200,126	203,800	203,290	173,842	244,885
Total Nonresidential	115,500	93,279	82,031	118,071	378,771
Total All Building	$ 315,627	$ 297,080	$ 285,321	$ 291,914	$ 623,657
New Dwelling Units:					
Single Family	65	75	55	67	90
Multiple Family	97	-	61	50	212
Total	162	75	116	117	302

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

TAXABLE SALES, 2008-2012
MARIN COUNTY
(Dollars in thousands)

	2008
Retail Stores	
Apparel Stores	201,820
General Merchandise	402,168
Food Stores	213,437
Eating and Drinking	442,979
Household Group	206,525
Building Material Group	277,548
Automotive Group	486,808
Service Stations	337,412
All Other Retail Stores	505,997
Retail Stores Totals	3,074,694
Business & Personal Services	199,636
All Other Outlets	884,569
Total All Outlets(2)	4,158,899

	2009 (1)	2010 (1)	2011 (1)	2012 (1)(3)
Retail and Food Services				
Motor Vehicles and Parts Dealers	434,910	485,061	523,483	610,028
Furniture and Home Furnishings Stores	106,960	109,379	117,090	118,307
Electronics and Appliance Stores	129,928	123,308	123,608	120,099
Bldg Mtrl. and Garden Equip. and Supplies	246,690	237,664	254,092	272,110
Food and Beverage Stores	246,161	259,294	266,823	277,873
Health and Personal Care Stores	109,301	114,342	121,051	122,472
Gasoline Stations	258,624	301,124	371,618	400,211
Clothing and Clothing Accessories Stores	243,655	263,834	280,098	305,000
Sporting Goods, Hobby, Book and Music Stores	128,490	131,862	138,838	137,827
General Merchandise Stores	261,529	265,063	273,199	281,325
Miscellaneous Store Retailers	157,795	157,970	182,054	184,154
Nonstore Retailers	26,001	25,596	26,884	41,692
Food Services and Drinking Places	418,831	422,951	455,433	486,787
Total Retail and Food Services	2,768,875	2,915,477	3,134,270	3,357,884
All Other Outlets	891,160	918,692	915,599	975,716
Totals All Outlets(2)	3,660,036	3,834,169	4,049,869	4,333,600

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Starting in 2009, categories were revised from prior years.
(2) Totals may not add up due to independent rounding.
(3) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the past five years.

CITY OF SAUSALITO, MARIN COUNTY, STATE AND UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2009	City of Sausalito	544,728	87,806
	Marin County	10,508,733	71,591
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Sausalito	546,705	82,906
	Marin County	10,453,585	68,688
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Sausalito	542,523	82,899
	Marin County	10,592,305	68,667
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Sausalito	494,920	76,284
	Marin County	11,615,363	69,129
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Sausalito	433,293	69,149
	Marin County	10,035,970	61,675
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US), Inc.

APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this appendix 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 and interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem *tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.*

District Budget

The District is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to section 42127.1 of the California Education Code. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent 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 the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District's Second Interim Report for fiscal year 2013-14, adopted March 11, 2014, was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years.

The following table shows the District's audited actual general fund for fiscal years 2011-12 and 2012-13, the District's estimated actuals for 2013-14 and the District's adopted general fund budget for 2014-15. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

GENERAL FUND BUDGET
Sausalito Marin City School District
Fiscal Years 2011-12 to 2014-15

	Fiscal Year			
	2011-12 Actual	2012-13 Actual	2013-14 Estimated Actuals	2014-2015 Adopted Budget[(2)]
Revenues:				
Revenue limit sources/LCFF[(1)]	$3,597,206	$3,619,434	$4,233,060	$4,103,149
Federal sources	229,350	345,295	314,535	344,478
Other state sources	777,986	888,629	278,793	280,742
Other local sources	1,235,683	1,150,419	975,778	748,058
Total Revenues	5,840,225	6,003,777	5,802,166	5,476,427
Expenditures:				
Certificated salaries	1,304,394	1,576,754	1,766,212	1,678,193
Classified salaries	902,795	937,709	766,888	811,565
Employee benefits	658,167	750,723	684,806	712,047
Books & supplies	289,107	255,587	226,809	160,026
Contract services & operating expenditures	1,700,065	1,528,486	1,196,895	1,368,453
Capital outlay	41,983	16,170	—	30,000
Debt service – Principal retirement	26,484	58,758	—	—
Debt service – Interest and fiscal charges	3,523	4,249	—	—
Other expenditures	578,482	548,969	631,928	549,512
Total Expenditures	5,505,000	5,644,405	5,273,539	5,309,796
Excess (deficiency) of revenues over expenditures	335,225	359,372	528,627	166,631
Total Other financing sources/(uses)	(265,264)	(324,109)	(280,787)	(362,655)
Net Change in Fund Balances	69,961	35,263	247,866	(196,024)
Beginning Fund Balance	1,650,441	1,720,402	1,583,354	1,831,219
Ending Fund Balance	$1,720,402	$1,755,665	$1,831,219	$1,473,204

Source: Sausalito Marin City School District Audited Financial Statements and 2014-15 Budget adopted June 24, 2014.
(1) Revenue limit sources for fiscal years 2011-12 and 2012-13 and LCFF for fiscal years 2013-14 and 2014-15.
(2) From Budget Adopted June 24, 2014.

Accounting Practices

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

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 33 Buchanan Drive, Sausalito, California, telephone number (415) 332-3190. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

Summary of District Revenues and Expenditures

See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2014, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE
Sausalito Marin City School District
Fiscal Years 2010-11 to 2013-14

	2010-11	2011-12	2012-13	2013-14
REVENUES				
Revenue Limit Sources/LCFF (1)	$3,758,015	$3,597,206	$3,619,434	$4,228,231
Federal Sources	288,926	229,350	345,295	314,535
Other State Sources	810,235	777,986	888,629	278,793
Other Local Sources	1,659,600	1,235,683	1,150,419	975,972
Total Revenues	6,516,776	5,840,225	6,003,777	5,797,531
EXPENDITURES				
Instruction	2,537,905	2,487,301	2,665,795	2,473,067
Supervision of Instruction	295,705	166,445	109,536	163,908
Instructional Library & Technology	39,785	50,587	49,106	43,200
School Site Administration	517,159	591,141	648,057	469,265
Home to School Transportation	179,369	90,798	96,005	19,073
Food Services	175	—	—	—
Other Pupil Services	325,582	144,957	176,971	250,551
Data Processing Services	24,878	29,322	28,987	31,001
Other General Administration	1,251,329	703,549	728,731	590,950
Plant Services	628,474	604,123	542,141	581,481
Facilities Acquisition and Construction	18,982	23,767	16,170	—
Ancillary Services	1,074	4,521	3,930	8,930
Debt Service – Principal Retirement	15,250	26,484	25,758	27,084
Debt Service – Interest and Issuance Costs	4,149	3,523	4,249	2,501
Other Outgo	505,755	578,482	548,969	612,529
Total Expenditures	6,345,571	5,505,000	5,644,405	5,273,540
Revenues Over (Under) Expenditures	171,205	335,225	359,372	523,991
OTHER FINANCING SOURCES (USES)				
Transfers In	—	—	—	6
Transfers Out	(108,133)	(295,016)	(324,109)	(275,938)
Other Sources (Uses)	—	29,752	—	—
Net Financing Sources (Uses)	(108,133)	(265,264)	(324,109)	(275,938)
NET CHANGE IN FUND BALANCES	63,072	69,961	35,263	248,059
Fund Balance – Beginning	1,587,369	1,650,441	1,720,402	1,755,665
Fund Balance – Ending	1,650,441	1,720,402	1,755,665	2,003,724

Sources: Sausalito Marin City School District Audited Financial Statements.
(1) Revenue limit sources for fiscal years 2010-11, 2011-12 and 2012-13 and LCFF for fiscal year 2013-14.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 5% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2014-15, the District has budgeted an unrestricted general fund reserve of 10%, or approximately $600,000. Substantially all funds of the District are required by law to be deposited with and invested by the County Director of

Finance on behalf of the District, pursuant to law and the investment policy of the County. See "MARIN COUNTY INVESTMENT POOL."

District Revenues—LCFF/Basic Aid

As part of the 2013-14 State Budget, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (or "LCFF") discussed below. See "— State Funding of Education; State Budget Process—Local Control Funding Formula" below. The California Department of Education has not yet provided an update to the Standardized Accounting Code Structure (which all school districts in California use to account for their funds).

Under section 42238 *et seq.* of the California Education Code, prior to fiscal year 2013-14, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

The 2013-14 State Budget replaced the current K-12 finance system with the LCFF. The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. Until full implementation, however, school districts will receive an annual transition adjustment for each school district beginning in fiscal year 2013-14, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants are to be adjusted for 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 therefore not discussed herein separately. 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 shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal year 2013-14.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Sausalito Marin City School District
Fiscal Year 2013-14

	Average Daily Attendance				Total District	Total District	% of EL/LI
Fiscal Year	K-3	4-6	7-8	9-12	ADA	Enrollment[2]	Enrollment[3]
2013-14	250.73	131.09	75.35	—	457.17	482	

Sources: Sausalito Marin City School District
(1)Reflects P-2 ADA.
(2) Reflects CBEDS enrollment.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

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

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

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

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

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the

State Board of Education is required to develop 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.

Other Local Revenues

The District receives additional local revenues from items such as parcel taxes, leases and rentals, special education support and other local sources. Other local sources comprised approximately 19% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 15% of such revenues in fiscal year 2013-14.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its 2014-15 budget, the District estimates that it will expend $3,201,805 in salaries and benefits, or approximately 60.2% of its general fund expenditures. This amount represents an decrease of approximately 5.1% from the $3,374,103 the District expended in 2013-14.

Labor Relations. Currently the District employs 14 full-time equivalent (FTE) and part-time certificated employees and 10.4 FTE classified employees (part time faculty and staff). These employees, except management and some part-time employees, are represented by the two bargaining units operating in the District which are described in the table below.

LABOR ORGANIZATIONS

Labor Organization	Number of Employees	Contract Expiration
Sausalito District Teachers Association	14	June 30, 2016
California Schools Employees Association	14	June 30, 2016

Source: Sausalito Marin City School District

Retirement Programs. Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (CalSTRS) and classified employees are members of the Public Employees' Retirement System (CalPERS).

State Teachers' Retirement System (CalSTRS)

Plan Description. The District contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013 and 2012, were $136,852, $116,109 and $90,718, respectively, and equal 100% of the required contributions for each year.

California Public Employees' Retirement System (CalPERS)

Plan Description. The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013 and 2012, were $86,997, $106,529 and $106,309, respectively, and equal 100% of the required contributions for each year.

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

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 15.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

Other Post Employment Benefits

Plan Descriptions. The District provides medical coverage to classified employees, with at least 15 years of service in the District who retire before the age of 65 and are at least 55 at the time of retirement. The District also provides medical coverage to certain administrators and confidential and classified management employees who retire before the age of 65 and are at least 55 at the time of retirement. The District subsidized coverage ceases after 24 months or at age 65, whichever occurs first. The District contributes up to the employee only rate towards retiree health premiums up to the District's annual cap, which was $10,191 at the time of the valuation.

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

The District had twenty (20) active employees and one (1) retired employee covered by the OPEB Plan as of July 1, 2013, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Funding Policy. The District currently pays for post employment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2014, the amount contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of $12,801 for the year ended June 30, 2014.

Annual required contribution (ARC)	$20,625
Interest on Net OPEB Obligation	0
Adjustment to ARC	0
Annual OPEB cost	20,625
Contributions for the fiscal year	(7,824)
Increase in Net OPEB Obligation	12,801
Net OPEB Obligation - June 30, 2013	0
Net OPEB Obligation - June 30, 2014	$12,801

In future years, three-year trend information will be presented. Prior to fiscal year 2013-14, the District's OPEB obligation was not material to the financial statements and therefore, prior year comparative data is not available.

District Debt

General Obligation Bonds. The following table reflects the District's outstanding general obligation bonds as of February 1, 2015, all to be refunded from the proceeds of the Bonds of this issue:

SAUSALITO MARIN CITY SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of February 1, 2015

Date Issued	Series	Original Amount Issued	Outstanding Amount (as of 2/1/15) (1)
8/18/05	General Obligation Bonds, Election of 2004, Series 2005	$ 7,640,000.00	$ 5,800,000.00
9/7/06	General Obligation Bonds, Election of 2004, Series 2006A (CIBs)	1,680,000.00	955,000.00
9/7/06	General Obligation Bonds, Election of 2004, Series 2006A (CABs)	309,990.80	309,990.80
9/7/06	General Obligation Bonds, Election of 2004, Series 2006B (CIBs)	3,110,000.00	3,060,000.00
9/7/06	General Obligation Bonds, Election of 2004, Series 2006B (CABs)	3,159,932.90	3,159,932.90
TOTALS		$15,899,923.70	$13,284,923.70

Source: The District.
(1) The outstanding principal amounts of the capital appreciation bonds does not include accreted interest.

The annual requirements to amortize all outstanding general obligation bonds, excluding the Bonds of this issue, are as follows:

SAUSALITO MARIN CITY SCHOOL DISTRICT
General Obligation Bonds – Debt Service

Maturity (8/1)	2005 Bonds	2006A CIBs	2006A CABs	2006B CIBs	2006B CABs	Total
2015	$ 498,870.00	$ 142,706.26	—	$ 188,460.00	—	$ 830,036.26
2016	499,380.00	143,768.76	—	201,150.00	—	844,298.76
2017	499,390.00	144,643.76	—	218,262.50	—	862,296.26
2018	503,750.00	140,331.26	—	239,605.00	—	883,686.26
2019	502,245.00	140,731.26	—	259,805.00	—	902,781.26
2020	500,197.50	140,931.26	—	279,005.00	—	920,133.76
2021	502,597.50	140,931.26	—	297,205.00	—	940,733.76
2022	504,232.50	140,568.76	—	314,161.26	—	958,962.52
2023	505,087.50	—	$ 140,000.00	335,086.26	—	980,173.76
2024	505,147.50	—	140,000.00	359,711.26	—	1,004,858.76
2025	509,397.50	—	140,000.00	372,741.26	—	1,022,138.76
2026	512,610.00	—	140,000.00	394,566.26	—	1,047,176.26
2027	509,765.00	—	140,000.00	419,903.76	—	1,069,668.76
2028	516,275.00	—	140,000.00	433,156.26	—	1,089,431.26
2029	516,710.00	—	140,000.00	—	$ 455,000.00	1,111,710.00
2030	516,285.00	—	140,000.00	—	480,000.00	1,136,285.00
2031	—	—	140,000.00	—	1,020,000.00	1,160,000.00
2032	—	—	140,000.00	—	1,045,000.00	1,185,000.00
2033	—	—	140,000.00	—	1,070,000.00	1,210,000.00
2034	—	—	—	—	1,235,000.00	1,235,000.00
2035	—	—	—	—	1,260,000.00	1,260,000.00
2036	—	—	—	—	1,290,000.00	1,290,000.00
2037	—	—	—	—	1,315,000.00	1,315,000.00
2038	—	—	—	—	1,345,000.00	1,345,000.00
2039	—	—	—	—	1,370,000.00	1,370,000.00
2040	—	—	—	—	1,400,000.00	1,400,000.00
2041	—	—	—	—	1,430,000.00	1,430,000.00
2042	—	—	—	—	1,460,000.00	1,460,000.00
Total	$8,101,940.00	$1,134,612.58	$1,540,000.00	$4,312,818.82	$16,175,000.00	$31,264,371.40

Source: The District.

All debt service payments on the bonds, including refunding bonds, are payable from an *ad valorem* tax levied and collected by the County on assessed property in the District.

Certificates of Participation. In February 2013, the District caused the delivery of certificates of participation (the "2013 COPs") in the amount of $3,675,000 with interest rates ranging from 0.50% to 3.50%. The 2013 COPS were delivered to provide financing for the District's MLF Jr. Academy classroom construction project. The 2013 COPs mature on November 1, 2042.

Capital Leases. On December 1, 2002, the District entered into a $1,000,000 lease agreement to finance the remodel of its existing school facilities and the update of its technology systems. The agreement requires the District to make fifteen (15) annual payments of $55,766 to a sinking fund maintained by US Bank. The sum of the annual payments plus interest earned on the sinking fund balance are expected to be sufficient to make a single $1,000,000 lease payment on December 19, 2017 and pay-off the entire lease balance at that time. The lease does not include a prepayment option. The agreement provides for title to pass upon expiration of the lease period.

Future required sinking fund payments as of June 30, 2014 are as follows:

Sausalito Marin City School District
Capital Lease - Remodel

Fiscal Year	Sinking Fund Payments
2014-15	$ 55,766
2015-16	55,766
2016-17	55,766
2017-18	55,766
Total sinking fund payments remaining	$ 223,064
Lease payment due December 19, 2017	1,000,000

Source: Sausalito Marin City School District 2013 Audited Financial Statements

At June 30, 2014, the Debt Service Fund has a fund balance of $725,062.

The District entered into lease agreements to finance the acquisition of energy management equipment and the purchase of computer equipment valued at $156,600 and $29,752, respectively. The agreements provide for title to pass upon expiration of the lease periods.

Future minimum lease payments under these agreements are as follows:

Sausalito Marin City School District
Capital Lease – Equipment Acquisition

Fiscal Year	Lease Payments
2014-15	$ 19,399
2015-16	19,399
Total Payments	38,768
Less Amounts Representing Interest	(492)
Present Value of Net Minimum Lease Payments	38,306

Source: Sausalito Marin City School District 2013 Audited Financial Statements

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's bonds approved at the 2006 and 2008 elections falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The

Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

Legislation Implementing Article XIIIA

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

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

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.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2014-15, the District budgets to receive $17,000 in State Lottery aid, representing approximately 0.2% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

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.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Trustees. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students.

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.

Propositions 98 and 111

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the

State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

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

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

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

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

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

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

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

Kindergarten-University Public Education Facilities Bond Act of 2006

The Kindergarten-University Public Education Facilities Bond Act of 2006 ("Proposition 1D") appeared on the November 7, 2006 ballot as Proposition 1D and was approved by California voters. This measure authorized the sale and issuance of $10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities ($7.3 billion) and higher education facilities ($3.1 billion). Proposition 1D makes available $3.3 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts are required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes $1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts are required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of $1.0 billion to K-12 school districts which are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26 and 98 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 the District's revenues or their ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Because the District's legal minimum funding level is expected to be met from local property taxes alone, the District does not project receipt of any general operating funds from the State in fiscal year 2013-14. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect District operations, though generally to a lesser extent than these may affect most school districts.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2013-14 Budget on June 27, 2013.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

Recent State Budgets

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

• The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

• The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

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

• The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2013-14 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2014-15 State Budget

On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget.

The 2014-15 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of $102.2 billion, and total State general fund expenditures of $100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a $2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of $109.4 billion and total State general fund expenditures of $108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately $2.1 billion. This projected reserve is a combination of $449 million in the State's general fund traditional reserve, and an authorized deposit of $1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The 2014-15 Budget includes total funding of $76.6 billion (comprised of $45.3 billion from the State general fund and $31.3 billion from other funds) for all K-12 education programs. For fiscal year 2014-15, the Proposition 98 minimum funding guarantee is set at $60.9 billion, an increase of $5.6 billion over the amount included in the fiscal year 2013-14 State budget. When combined with increases of $4.4 billion in fiscal years 2012-13 and 2013-14, the 2014-15 Budget provides a $10 billion increased investment in K-14 education. The 2014-15 Budget projects that Proposition 98 funding for K-12 education will grow by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Significant features of the 2014-15 Budget related to the funding of K-12 education include the following:

- *Teacher Pensions* – The 2014-15 Budget includes a plan of shared responsibility among the State, school districts and community college districts, and teachers to eliminate the approximately $74.4 billion of unfunded CalSTRS (defined herein) liability in approximately 30 years. For fiscal year 2014-15, the plan directs $276 million in additional contributions from all three entities. Under the plan, (i) teacher contributions will increase from 8% to a total of 10.25% of pay, phased in over the next three years; (ii) school district and community college district contributions will increase from 8.25% to 19.1% of payroll, phased in over the next seven years; and (iii) the State contributions will increase from approximately 3% to 6.3% of payroll, phased in over the next three years, and the State will continue to pay 2.5% of payroll annually for a supplemental inflation protection program, for a total contribution of 8.8% of payroll in fiscal year 2016-17 and ongoing. The plan also provides the CalSTRS board with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary.

- *Local Control Funding Formula* – An increase of $4.75 billion in Proposition 98 funding to continue the transition to the LCFF. This increase is projected to close the remaining funding implementation gap between fiscal year 2013-14 funding levels and the LCFF target funding levels by more than 29%. The 2014-15 Budget also addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced price meals. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.

- *K-12 Deferrals* – Repay nearly $4.7 billion in Proposition 98 funding for K-12 expenses that had been deferred from one year to the next during the recession, leaving an outstanding balance of less than $900 million in K-12 deferrals at the end of fiscal year 2014-15. The 2014-15 Budget also includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 Budget in order to retire the remaining deferral balance.

- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- *K-12 Mandates* – An increase of $400.5 million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.

- *K-12 High- Speed Internet Access* – An increase of $26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.

- *Career Technical Education Pathways Program* – An increase of $250 million in one-time Proposition 98 funding to support competitive grants for participating K-14 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

- *Potential Cap on School District Reserves* – Commencing with budgets adopted by a K-12 school district for the 2015–16 fiscal year, AB 1463, a trailer bill on K-12 issues passed in connection with the 2014-15 Budget, requires a school district that proposes to adopt or revise a budget that results in a combined assigned or unassigned ending fund balance exceeding that school district's respective minimum reserve for economic uncertainties amount, as set forth in the State Board of Education's annually-issued criteria and standards for reviewing school district interim reports, to provide at a public hearing, among other things, a statement of reasons that substantiates the need for the balance, and requires the respective county superintendent of schools, when making the required determinations, to also determine whether a school district's adopted or revised budget includes a such a balance. Subject to the passage of California Proposition 44 (the "Rainy Day Budget Stabilization Fund Act") currently on the November 4, 2014 statewide ballot, AB 1463 provides that, in any fiscal year immediately after which a transfer is made by the State into the Public School System Stabilization Account, a new reserve fund for Proposition 98 that would be created by the Rainy Day Budget Stabilization Fund Act, a school district's adopted or revised budget shall be prohibited from containing a combined assigned or unassigned ending fund balance that is in excess of either two or three times that school district's respective annual minimum recommended reserve for economic uncertainties amount, as established by the State Board of Education. Subject to the passage of the Rainy Day Budget Stabilization Fund Act, AB 1463 further authorizes the respective county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to two consecutive fiscal years within a three-year period, if a school district provides documentation indicating that extraordinary fiscal circumstances substantiates the need for the balance.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

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

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

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.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which were for K-12 school facilities and $1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2006 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes $7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder's fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

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.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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SAUSALITO MARIN CITY SCHOOL DISTRICT
COUNTY OF MARIN
SAUSALITO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2014

SAUSALITO MARIN CITY SCHOOL DISTRICT

JUNE 30, 2014

TABLE OF CONTENTS

TABLE OF CONTENTS (CONCLUDED)

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sausalito Marin City School District
Sausalito, 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 Sausalito Marin City School District, as of and for the year ended June 30, 2014, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, 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 Sausalito Marin City School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 51, and schedule of funding progress on page 56 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 Sausalito Marin City School District's basic financial statements. The combining non-major governmental fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major governmental fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements, statistical section, and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards are 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 12, 2014 on our consideration of Sausalito Marin City 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 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 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 Sausalito Marin City School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2014

This section of Sausalito Marin City School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 24, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- Fiscal year 2013-14 was the first year the District's entire student population was served on the consolidated Bayside Elementary / Martin Luther King Jr. Academy site.

- The District's overall financial status declined during fiscal year 2013-14, as total net position decreased 6%.

- On the Statement of Activities, total current year expenses exceeded total current year revenues by $453,903.

- Capital assets, net of depreciation, increased $1,764,202 due to the addition of $2,732,630 of new capital assets and the current year recognition of $968,428 of depreciation expense.

- Total long-term liabilities decreased $459,341 due primarily to payments on the outstanding balances of the certificates of participation, capital lease and early retirement incentives.

- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other financing uses exceeded total current year revenues and other financing sources by $2,629,497 due primarily to current year expenditures of certificates of participation proceeds received in the prior fiscal year.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of total general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2013-14, General Fund expenditures and other financing uses totaled $5,549,478. At June 30, 2014, the District has available reserves of $1,840,732 in the General Fund, which represents a reserve of 33.2%.

THE FINANCIAL REPORT

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

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

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

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

  - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.

  - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

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

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

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

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

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

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

Governmental Funds:

The major governmental funds of Sausalito Marin City School District are the General Fund, Bond Interest and Redemption Fund, Debt Service Fund, and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

Fiduciary Funds:

The District is the trustee, or fiduciary, for its student activity fund and acts as a "cash conduit" for Willow Creek Academy. All of the District's fiduciary activities are reported in a separate fiduciary statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from $7,625,083 at June 30, 2013, down to $7,171,180 at June 30, 2014, a decrease of 6%.

Comparative Statement of Net Position

	Governmental Activities	
	2013	2014
Assets		
Deposits and Investments	$ 6,949,300	$ 3,552,894
Current Receivables	529,820	455,410
Capital Assets, net	22,362,572	24,126,774
Total Assets *	29,841,692	28,135,078
Deferred Outflows of Resources *	72,734	0
Liabilities		
Current	2,252,891	1,126,733
Long-term	20,036,452	19,837,165
Total Liabilities	22,289,343	20,963,898
Net Position		
Net Investment in Capital Assets *	5,674,551	5,733,812
Restricted for Capital Projects	73,324	591
Restricted for Debt Service	(290,965)	(768,425)
Restricted for Educational Programs	199,318	161,992
Restricted for Other Purposes	9,797	24,804
Unrestricted	1,959,058	2,018,406
Total Net Position *	$ 7,625,083	$ 7,171,180

Table includes financial data of the combined governmental funds

* *The prior year balances have been adjusted to reflect the restatement described in Note 20 and for reclassifications prescribed by GASB 65.*

The deficit balance presented above for Restricted for Debt Service represents the difference between the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds and the accrued interest on the District's long-term liabilities and amounts available in the Bond Interest and Redemption Fund. The deficit will be eliminated by future property tax collections.

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by $453,903.

Comparative Statement of Change in Net Position

	Governmental Activities	
	2013	2014
Program Revenues		
Charges for Services	$ 0	$ 20,129
Operating Grants & Contributions	1,610,105	1,410,084
General Revenues		
Taxes Levied	4,209,238	4,007,205
Federal & State Aid	763,878	1,080,234
Interest & Investment Earnings	(7,477)	24,201
Transfers from Other Agencies	59,410	17,633
Miscellaneous	238,752	199,171
Total Revenues	6,873,906	6,758,657
Expenses		
Instruction	3,340,541	3,246,783
Instruction-Related Services	850,399	724,339
Pupil Services	460,283	432,966
General Administration	787,167	653,876
Plant Services	619,797	681,359
Ancillary Services	3,930	8,930
Interest on Long-Term Debt	799,976	850,778
Other Outgo	550,882	613,529
Total Expenses	7,412,975	7,212,560
Change in Net Position	$ (539,069)	$ (453,903)

Table includes financial data of the combined governmental funds

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

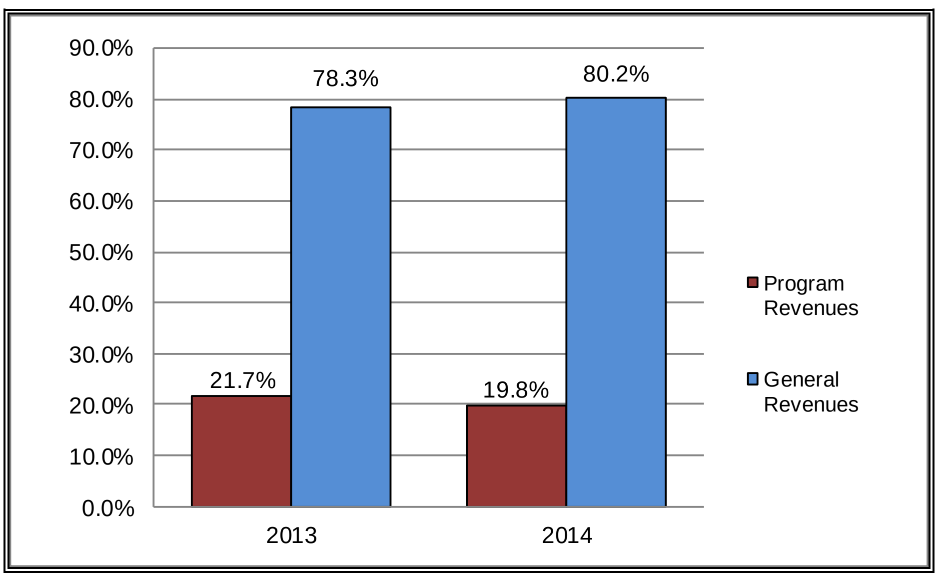
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2013	2014	2013	2014
Instruction	$ 3,340,541	$ 3,246,783	$ 2,354,398	$ 2,657,489
Instruction-Related Services	850,399	724,339	618,995	672,169
Pupil Services	460,283	432,966	250,485	164,146
General Administration	787,167	653,876	758,067	616,737
Plant Services	619,797	681,359	614,899	629,458
Ancillary Services	3,930	8,930	3,930	8,930
Interest on Long-Term Debt	799,976	850,778	799,976	850,778
Other Outgo	550,882	613,529	402,120	182,640
Totals	$ 7,412,975	$ 7,212,560	$ 5,802,870	$ 5,782,347

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $5,782,347 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



In 2013-14, program revenues financed 19.8% of the total cost of providing the services listed above, while the remaining 80.2% was financed by the general revenues of the District.

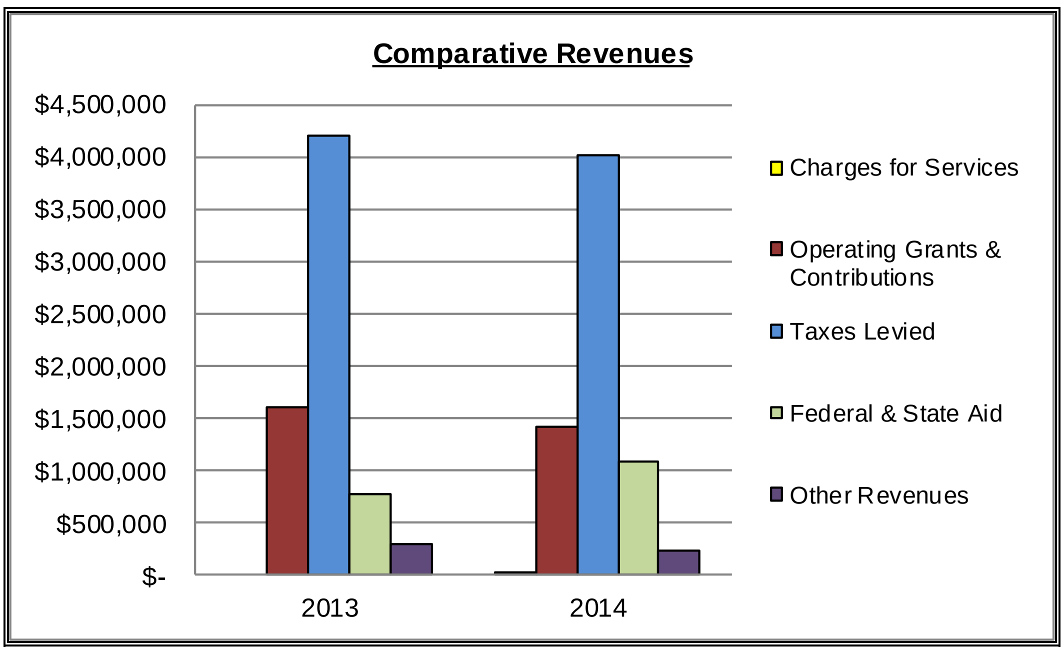
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Revenues For Governmental Functions

	FYE 2013 Amount	Percent of Total	FYE 2014 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 0	0.00%	$ 20,129	0.30%
Operating Grants & Contributions	1,610,105	23.42%	1,410,084	20.86%
General Revenues				
Taxes Levied	4,209,238	61.24%	4,007,205	59.29%
Federal & State Aid	763,878	11.11%	1,080,234	15.98%
Other Revenues	290,685	4.23%	241,005	3.57%
Total Revenues	$ 6,873,906	100.00%	$ 6,758,657	100.00%

Table includes financial data of the combined governmental funds



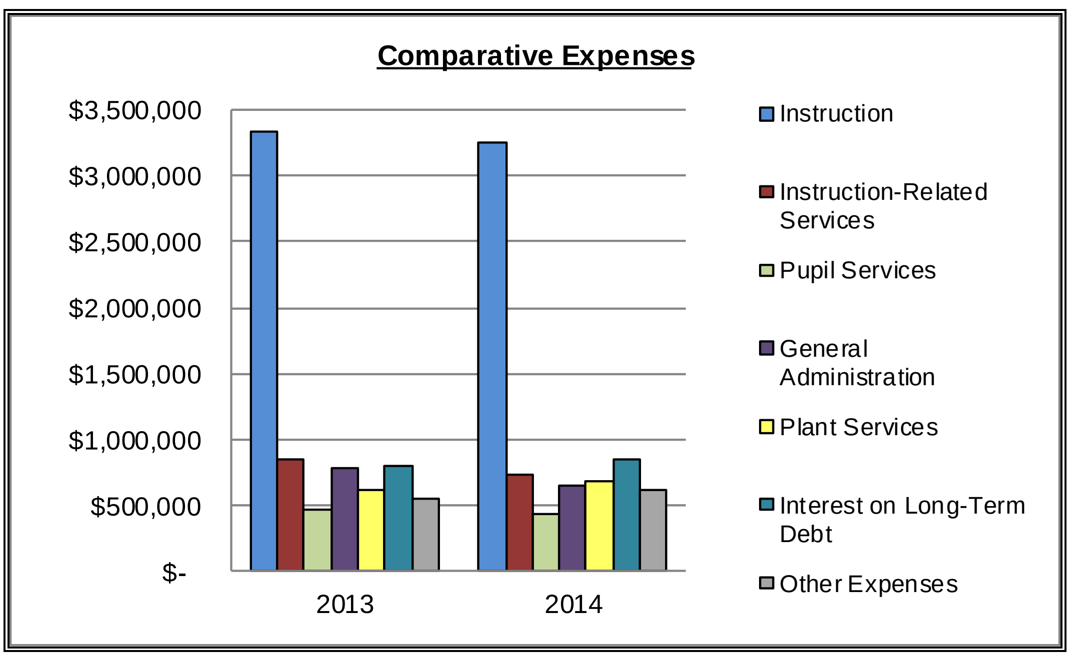
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2013 Amount	Percent of Total	FYE 2014 Amount	Percent of Total
Expenses				
Instruction	$ 3,340,541	45.06%	$ 3,246,783	45.02%
Instruction-Related Services	850,399	11.47%	724,339	10.04%
Pupil Services	460,283	6.21%	432,966	6.00%
General Administration	787,167	10.62%	653,876	9.07%
Plant Services	619,797	8.36%	681,359	9.45%
Interest on Long-Term Debt	799,976	10.79%	850,778	11.80%
Other Expenses	554,812	7.48%	622,459	8.63%
Total Expenses	$ 7,412,975	100.00%	$ 7,212,560	100.00%

Table includes financial data of the combined governmental funds



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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities 2013	Governmental Activities 2014
Land	$ 948,870	$ 948,870
Sites and Improvements	2,022,186	2,485,365
Buildings and Improvements	24,046,205	27,201,585
Furniture and Equipment	422,235	598,572
Work-in-Progress	1,062,266	0
Subtotals	28,501,762	31,234,392
Less: Accumulated Depreciation	(6,139,190)	(7,107,618)
Capital Assets, net	$ 22,362,572	$ 24,126,774

Capital assets, net of depreciation, increased $1,764,202 due to the addition of $2,732,630 of new capital assets and the current year recognition of $968,428 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities 2013	Governmental Activities 2014
Compensated Absences	$ 9,412	$ 14,920
General Obligation Bonds	15,656,262	15,602,580
Certificates of Participation	4,055,000	3,675,000
Capital Leases	1,065,390	1,038,306
Early Retirement Incentives	33,768	16,884
Other Post Employment Benefits	0	12,801
Totals	$ 20,819,832	$ 20,360,491

Total long-term liabilities decreased $459,341 due primarily to payments on the outstanding balances of the certificates of participation, capital lease and early retirement incentives.

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by the local taxpayers and represent 76.6% of the District's total long-term liabilities. The certificates of participation and capital leases are financed by the General Fund and represent 23.1% of the total long-term liabilities. The obligations for compensated absences, early retirement incentives, and other post employment benefits are also financed by the General Fund, and make up the remaining portion of the long-term liabilities.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2013	Fund Balances June 30, 2014	Increase (Decrease)
General	$ 1,755,665	$ 2,003,724	$ 248,059
Bond Interest & Redemption	589,041	632,024	42,983
Debt Service	645,735	725,062	79,327
Capital Projects - Special Reserve	185,479	147,121	(38,358)
Deferred Maintenance	271,314	75,158	(196,156)
Cafeteria	8,797	23,804	15,007
Corporation Debt Service	328,259	22	(328,237)
Building	246	246	0
County School Facilities	590	591	1
Corporation Acquisition	2,452,145	22	(2,452,123)
Totals	$ 6,237,271	$ 3,607,774	$ (2,629,497)

The fund balance of the General Fund increased $248,059, while the combined fund balances of all other District funds decreased $2,877,556. The Corporation Acquisition Fund decreased $2,452,123 due to current year expenditures of certificates of participation proceeds received in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original and final budget for fiscal year 2013-14 is presented alongside the actual results on page 51.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

On November 4, 2014, the voters of the State of California elected to approve Proposition 2 (State Budget: Budget Stabilization Account. Legislative Constitutional Amendment). The measure will alter the existing requirements for the Budget Stabilization Account (BSA) that was originally established with Proposition 58, passed in 2004. Proposition 2 is set to create a distinct budget stabilization fund known as the "Proposition 98 Reserve" or Public School System Stabilization Account (PSSSA). Proposition 2 also includes a provision that will limit the amount that many school districts may hold in reserves in future years. At this time, the fiscal impact of Proposition 2 is not immediately clear, since the ultimate impact will largely depend on how it is implemented at the state and local levels moving forward.

Fiscal year 2014-15 will be the second year of the projected eight year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there will be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Sausalito Marin City School District, 200 Phillips Drive, Marin City, California 94965.

BASIC FINANCIAL STATEMENTS

SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

		Governmental Activities
Assets		
Deposits and Investments (Note 2)	$	3,552,894
Receivables (Note 4)		455,410
Capital Assets: (Note 6)		
Land		948,870
Sites and Improvements		2,485,365
Buildings and Improvements		27,201,585
Furniture and Equipment		598,572
Less: Accumulated Depreciation		(7,107,618)
Total Assets		28,135,078
Liabilities		
Accounts Payable and Other Current Liabilities		400,530
Accrued Interest Payable		202,877
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences		8,568
General Obligation Bonds		
Current Interest		385,000
Certificates of Participation		95,000
Capital Leases		17,874
Early Retirement Incentives (Note 10)		16,884
Portion Due or Payable After One Year:		
Compensated Absences (Note 1I)		6,352
General Obligation Bonds (Note 7)		
Current Interest		9,825,000
Capital Appreciation		5,392,580
Certificates of Participation (Note 8)		3,580,000
Capital Leases (Note 9)		1,020,432
Other Post Employment Benefits (Note 11)		12,801
Total Liabilities		20,963,898
Net Position		
Net Investment in Capital Assets		5,733,812
Restricted:		
For Capital Projects		591
For Debt Service		(768,425)
For Educational Programs		161,992
For Other Purposes		24,804
Unrestricted		2,018,406
Total Net Position	$	7,171,180

SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities					
Instruction	$ 3,246,783	$ 16,817	$ 572,477		$ (2,657,489)
Instruction-Related Services:					
Supervision of Instruction	163,908	787	24,987		(138,134)
Instructional Library and Technology	48,552				(48,552)
School Site Administration	511,879		26,396		(485,483)
Pupil Services:					
Home-to-School Transportation	19,073				(19,073)
Food Services	163,342		108,462		(54,880)
Other Pupil Services	250,551	2,477	157,881		(90,193)
General Administration:					
Data Processing Services	37,344		14,087		(23,257)
Other General Administration	616,532	48	23,004		(593,480)
Plant Services	681,359		51,901		(629,458)
Ancillary Services	8,930				(8,930)
Interest on Long-Term Debt	850,778				(850,778)
Other Outgo	613,529		430,889		(182,640)
Total Governmental Activities	$ 7,212,560	$ 20,129	$ 1,410,084	$ 0	(5,782,347)
General Revenues					
Taxes Levied for General Purposes					3,181,757
Taxes Levied for Debt Service					824,273
Taxes Levied for Specific Purposes					1,175
Federal and State Aid - Unrestricted					1,080,234
Interest and Investment Earnings					24,201
Transfers from Other Agencies					17,633
Miscellaneous					199,171
Total General Revenues					5,328,444
Change in Net Position					(453,903)
Net Position - July 1, 2013 (As Restated - Note 20)					7,625,083
Net Position - June 30, 2014					$ 7,171,180

SAUSALITO MARIN CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Interest and Redemption
Assets		
Deposits and Investments (Note 2)	$ 1,904,780	$ 632,024
Receivables (Note 4)	438,370	
Total Assets	$ 2,343,150	$ 632,024
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	$ 339,426	
Total Liabilities	339,426	
Fund Balances: (Note 13)		
Nonspendable	1,000	
Restricted	161,992	$ 632,024
Assigned		
Unassigned	1,840,732	
Total Fund Balances	2,003,724	632,024
Total Liabilities and Fund Balances	$ 2,343,150	$ 632,024

Debt Service	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
$ 725,062	$ 191,360	$ 99,668	$ 3,552,894
		17,040	455,410
$ 725,062	$ 191,360	$ 116,708	$ 4,008,304
	$ 44,239	$ 16,865	$ 400,530
	44,239	16,865	400,530
		40	1,040
$ 725,062		24,645	1,543,723
	147,121	75,158	222,279
			1,840,732
725,062	147,121	99,843	3,607,774
$ 725,062	$ 191,360	$ 116,708	$ 4,008,304

SAUSALITO MARIN CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds		$ 3,607,774
Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:		
Capital Assets	$ 31,234,392	
Accumulated Depreciation	(7,107,618)	
Net		24,126,774
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Compensated Absences	$ 14,920	
General Obligation Bonds	15,602,580	
Certificates of Participation	3,675,000	
Capital Leases	1,038,306	
Early Retirement Incentives	16,884	
Other Post Employment Benefits	12,801	
Total		(20,360,491)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(202,877)
Total Net Position - Governmental Activities		$ 7,171,180

SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Bond Interest and Redemption
Revenues		
LCFF Sources:		
State Apportionment / Transfers	$ 1,046,474	
Local Taxes	3,181,757	
Total LCFF Sources	4,228,231	
Federal Revenue	314,535	
State Revenue	278,793	$ 3,914
Local Revenue	975,972	821,878
Total Revenues	5,797,531	825,792
Expenditures		
Instruction	2,473,067	
Supervision of Instruction	163,908	
Instructional Library and Technology	43,200	
School Site Administration	469,265	
Home-To-School Transportation	19,073	
Food Services		
Other Pupil Services	250,551	
Data Processing Services	31,001	
Other General Administration	590,950	
Plant Services	581,481	
Facilities Acquisition and Construction		
Ancillary Services	8,930	
Debt Service:		
Principal Retirement	27,084	350,000
Interest and Issuance Costs	2,501	432,809
Other Outgo	612,529	
Total Expenditures	5,273,540	782,809
Excess of Revenues Over (Under) Expenditures	523,991	42,983
Other Financing Sources (Uses)		
Operating Transfers In	6	
Operating Transfers Out	(275,938)	
Total Other Financing Sources (Uses)	(275,932)	0
Net Change in Fund Balances	248,059	42,983
Fund Balances - July 1, 2013	1,755,665	589,041
Fund Balances - June 30, 2014	$ 2,003,724	$ 632,024

Debt Service	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
		$ 4,829	$ 1,051,303
			3,181,757
		4,829	4,233,060
		101,455	415,990
		6,973	289,680
$ 23,561	$ 70,194	1,056	1,892,661
23,561	70,194	114,313	6,831,391
			2,473,067
			163,908
			43,200
			469,265
			19,073
		133,455	133,455
			250,551
			31,001
			590,950
		13,520	595,001
	2,499,753	232,876	2,732,629
			8,930
		380,000	757,084
	1,000	143,935	580,245
			612,529
0	2,500,753	903,786	9,460,888
23,561	(2,430,559)	(789,473)	(2,629,497)
55,766	2,643,527	280,842	2,980,141
	(251,326)	(2,452,877)	(2,980,141)
55,766	2,392,201	(2,172,035)	0
79,327	(38,358)	(2,961,508)	(2,629,497)
645,735	185,479	3,061,351	6,237,271
$ 725,062	$ 147,121	$ 99,843	$ 3,607,774

SAUSALITO MARIN CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Governmental Funds		$ (2,629,497)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Capital Outlay Expenditures	$ 2,732,630	
Depreciation Expense	(968,428)	
Net		1,764,202
Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In government-wide statements, revenue is recognized when earned regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period, but related to a prior period is:		(72,734)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
General Obligation Bonds	$ 350,000	
Certificates of Participation	380,000	
Capital Leases	27,084	
Total		757,084
Compensated absences and early retirement incentives: In governmental funds, compensated absences and early retirement incentives are measured by the amounts paid during the period. In the statement of activities, compensated absences and early retirement incentives are measured by the amounts earned. The difference between amounts paid and amounts earned was:		11,376
Post employment benefits other than pensions (OPEB): 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 accrued and actual employer contributions was:		(12,801)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized as an expenditure in the period that it becomes due. In the government-wide statements, it is recognized in the period incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from a prior period, was:		24,785
Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was:		(296,318)
Change in Net Position of Governmental Activities		$ (453,903)

SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Funds		
	Student Body Funds	**Willow Creek Academy**	**Total Fiduciary Funds**
Assets			
Deposits and Investments (Note 2)	$ 1,119	$ 73,916	$ 75,035
Liabilities			
Due to Student Groups	1,119		1,119
Due to Willow Creek Academy		73,916	73,916
Total Liabilities	1,119	73,916	$ 75,035
Net Position			
Total Net Position	$ 0	$ 0	$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

The financial reporting entity consists of the following:

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

Component Units are legally separate organizations for which elected officials of the primary government (District) are financially accountable. The District is financially accountable for the Sausalito School District Financing Corporation (the "Corporation") and therefore the Corporation meets the reporting entity definition. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation that satisfy the financial reporting entity criteria:

- The Board of Directors for the Corporation is appointed by the District's Board.
- The Corporation has no employees or members. The District's Business Manager shall serve as the Chief Financial Officer and the District's Superintendent shall serve as the Chief Executive Officer of the Corporation. These individuals receive no additional compensation for work performed in these capacities.
- The District exercises significant influence over operations of the Corporation as the District will always be the sole lessee of all facilities owned by the Corporation. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- All major financing arrangements, contracts, and financial transactions of the Corporation must have the consent of the District.
- The property, assets, profits, and net revenues of the Corporation are irrevocably dedicated to the District, subject to the indebtedness of the Corporation.
- The District has assumed a "moral obligation" and potentially a legal obligation for any debt incurred by the Corporation.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

For financial presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data of the District. The financial activity of the Corporation is included in the Corporation Debt Service Fund and Corporation Acquisition Fund, and the certificates of participation issued by the Corporation are reported as a liability in the Statement of Net Position.

The Corporation is a nonprofit, public benefit corporation, incorporated under the laws of the State of California and recorded by the Secretary of State in 1996. The Corporation was formed for the sole purpose of providing financial assistance to the Sausalito Marin City School District by acquiring, constructing, remodeling, rehabilitating, equipping, improving and financing various public facilities, land and equipment and by leasing certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District.

Governmental Accounting Standards Board Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if specific criteria are met. The District has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

B. Implementation of New Accounting Pronouncements

In March of 2012, the Governmental Accounting Standard Board issued Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities,* with required implementation for the District during the year ended June 30, 2014. The objective of GASB 65 is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The effect of implementing GASB 65 resulted in a restatement of the beginning net position balance to write-off unamortized debt issuance costs. The effect of the restatement on these financial statements is presented in Note 20.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity within the governmental activities has been removed from these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

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

Fund Financial Statements:

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions (Concluded):

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

Unearned Revenue:

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

Expenses/Expenditures:

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

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

E. Fund Accounting

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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

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

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

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

Major Governmental Funds:

General Fund is the general operating fund of the District. For financial reporting purposes the financial activities and balances of the Special Revenue - Special Reserve Fund have been combined with the General Fund.

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

Debt Service Fund is used to account for payments made to the sinking fund, which is required by the lease purchase agreement that was entered into with California School Board Association Finance Corporation, for purposes of financing capital improvements at the District's two schools.

Capital Projects - Special Reserve Fund is used to account for proceeds from real property sales and capital outlays for District property.

Non-major Governmental Funds:

Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.

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

Corporation Debt Service Fund is used to account for the payment of interest and redemption of principal on the outstanding certificates of participation issued by the Sausalito Marin City School District Financing Corporation.

Building Fund is used to account for acquisition of major governmental facilities financed from bond proceeds.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Non-major Governmental Funds (Concluded):

County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

Corporation Acquisition Fund is used to account for proceeds from the sale of certificates of participation that will be used to finance the renovation, construction, and modernization of the District's school facilities.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body account, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body. In addition, the District maintains an agency fund to account for receipts to be transferred to Willow Creek Academy. The District acts only as a cash conduit for these funds.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 51.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

G. Use of Estimates

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

H. Encumbrances

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity

1. Deposits and Investments

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

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

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

2. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the estimated useful lives in the following table:

Asset Class	Years
Sites and Improvements	14-36
Buildings and Improvements	10-40
Furniture and Equipment	5-20

3. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. The District has no liability at June 30, 2014.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

4. Compensated Absences

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

5. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Premiums and discounts as well as refunding costs are deferred and amortized over the life of the obligation, when applicable. Liabilities are reported net of applicable premiums, discounts or refunding costs.

In the fund financial statements, governmental funds recognize premiums and discounts as well as issuance and refunding costs, when the debt is issued. The face amount of the debt issued, premiums, discounts, issuance and refunding costs are reported as other financing sources or uses.

6. Fund Balance

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

Nonspendable Fund Balance consist of funds that are inherently nonspendable, due to their form (e.g. inventories and prepaid amounts), or that are legally or contractually required to be maintained intact.

Restricted Fund Balance consists of funds that have limitations on use that are externally enforceable by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority, the Governing Board. The Governing Board may commit fund balance by taking formal action, such as majority vote or resolution. The same formal action must be taken by the Governing Board to remove or change limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District. The Governing Board has delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

6. Fund Balance (Concluded)

Unassigned Fund Balance consists of positive net resources of the General Fund in excess of what can properly be classified in the previous four categories. The Board is committed to maintain a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts equal to at least 10% of the General Fund operating expenditures and other financing uses.

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

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

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Marin is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

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

Since the amount of property taxes received by the District exceeds the amount of the LCFF transition entitlement, the District is considered to be a "basic aid" school district, and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion $120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, consist of the following:

	Governmental Activities	Fiduciary Activities
Cash in Bank		$ 1,119
Cash in Revolving Fund	$ 1,040	
Cash with Fiscal Agent	725,085	
County Pool Investments	2,826,769	73,916
Total Deposits and Investments	$ 3,552,894	$ 75,035

Cash in Bank

Cash in bank consists of all cash maintained in the commercial bank account owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

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

Cash with Fiscal Agent

Cash with Fiscal Agent consists of $1, $22, and $725,062, held by US Bank as trustee, for future payment of interest and redemption of principal for certificates of participation, for the MLK Classroom Construction Project, and for the future pay-off of a capital lease, respectively.

County Pool Investments

County pool investments consist of District cash held by the Marin County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases 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.

Segmented Time Distribution

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

Governmental Activities:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 2,826,769	$ 2,827,309	$ 2,156,323	$ 670,446

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Segmented Time Distribution (Concluded)

Fiduciary Activities:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 73,916	$ 73,930	$ 56,385	$ 17,531

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.

Governmental Activities:

Investment Type	Carrying Value	Fair Value	Rating as of Year End		
			AAA	Aa	Unrated
County Pool Investments	$ 2,826,769	$ 2,827,309			$ 2,826,769

Fiduciary Activities:

Investment Type	Carrying Value	Fair Value	Rating as of Year End		
			AAA	Aa	Unrated
County Pool Investments	$ 73,916	$ 73,930			$ 73,916

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District does not have a bank balance that is exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

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. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2014, the District does not have any investments that are held by counterparties.

Derivative Investments

The District does not directly invest in any derivative investments. Information related to the use of derivative investments by the Marin County Treasury was not available.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in the General Fund were as follows:

General Fund	Excess Expenditures
Debt Service: Principal Retirement	$ 667
Other Expenditures	22,251

The District incurred unanticipated expenditures in the expenditure classifications above for which the budget was not revised.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014 consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 65,929	$ 16,193	$ 82,122
State Government	274,846	847	275,693
Local Governments	91,812		91,812
Miscellaneous	5,783		5,783
Totals	$ 438,370	$ 17,040	$ 455,410

NOTE 5 - INTERFUND ACTIVITIES

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

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

Interfund Transfers

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

Interfund transfers for fiscal year 2013-14 were as follows:

Funds	Transfers In	Transfers Out
General	$ 6	$ 275,938
Debt Service	55,766	
Capital Projects - Special Reserve	2,643,527	251,326
Deferred Maintenance	45,171	
Cafeteria	40,000	
Corporation Debt Service	195,671	6
Corporation Acquisition		2,452,871
Totals	$ 2,980,141	$ 2,980,141

Transfer $45,171 from General Fund to Deferred Maintenance Fund for contribution for future deferred maintenance projects.

Transfer $40,000 from General Fund to Cafeteria Fund to support the cafeteria program.

Transfer $135,000 from General Fund to Capital Projects - Special Reserve Fund for debt service payment on outstanding 2013 certificates of participation.

Transfer $55,767 from General Fund to Capital Projects - Special Reserve Fund for capital lease sinking fund payment.

Transfer $195,560 from Capital Projects - Special Reserve Fund to Corporation Debt Service Fund for debt service payment on outstanding 2006 certificates of participation.

Transfer $55,766 from Capital Projects - Special Reserve Fund to Debt Service Fund for capital lease sinking fund payment.

Transfer $6 from Corporation Debt Service Fund to General Fund to refund the excess interest earnings in the 2006 certificates of participation reserve account.

Transfer $111 from Corporation Acquisition Fund to Corporation Debt Service Fund the excess balance in the 2006 certificates of participation construction account to be used to pay off the 2006 certificates of participation.

Transfer $2,452,760 from Corporation Acquisition Fund to Capital Projects - Special Reserve Fund to reimburse fund for expenditures incurred for MLK classroom project.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014, is shown below:

	Balances July 1, 2013	Additions	Deletions	Balances June 30, 2014
Land	$ 948,870			$ 948,870
Sites and Improvements	2,022,186	$ 463,179		2,485,365
Buildings and Improvements	24,046,205	3,155,380		27,201,585
Furniture and Equipment	422,235	176,337		598,572
Work-in-Progress	1,062,266		$ 1,062,266	0
Totals at Historical Cost	28,501,762	3,794,896	1,062,266	31,234,392
Less Accumulated Depreciation for:				
Sites and Improvements	1,257,593	75,166		1,332,759
Buildings and Improvements	4,750,552	852,460		5,603,012
Furniture and Equipment	131,045	40,802		171,847
Total Accumulated Depreciation	6,139,190	968,428	0	7,107,618
Governmental Activities Capital Assets, net	$ 22,362,572	$ 2,826,468	$ 1,062,266	$ 24,126,774

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	$ 790,600
Instructional Library, Media, and Technology	5,352
School Site Administration	38,347
Food Services	29,887
Data Processing Services	2,076
Other General Administration	24,990
Plant Services	77,176
Total Depreciation Expense	$ 968,428

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2014 was as follows:

A. Current Interest Bonds

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014
8/18/05	3.65-5.50	8/1/30	$ 7,640,000	$ 6,300,000		$ 245,000	$ 6,055,000
9/7/06	3.25-4.125	8/1/22	1,680,000	1,150,000		95,000	1,055,000
9/7/06	3.85-4.375	8/1/28	3,110,000	3,110,000		10,000	3,100,000
	Totals		$ 12,430,000	$ 10,560,000	$ 0	$ 350,000	$ 10,210,000

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

A. Current Interest Bonds (Concluded)

The annual requirements to amortize the current interest bonds, as of June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Totals
2015	$ 385,000	$ 414,626	$ 799,626
2016	425,000	397,167	822,167
2017	455,000	380,798	835,798
2018	490,000	362,991	852,991
2019	530,000	343,234	873,234
2020-2024	3,145,000	1,353,824	4,498,824
2025-2029	3,810,000	641,699	4,451,699
2030-2034	970,000	42,140	1,012,140
Totals	$ 10,210,000	$ 3,936,479	$ 14,146,479

B. Capital Appreciation Bonds

Date of Issue	Accretion Rate %	Date of Maturity	Amount of Original Issue	Outstanding July 1, 2013	Issued Current Year	Accreted Interest Current Year	Outstanding June 30, 2014
9/7/06	7.586	8/1/33	$ 309,991	$ 515,003		$ 39,807	$ 554,810
9/7/06	5.523	8/1/42	3,159,933	4,581,259		256,511	4,837,770
Totals			$ 3,469,924	$ 5,096,262	$ 0	$ 296,318	$ 5,392,580

The outstanding obligation for the Series 2006A capital appreciation bonds at June 30, 2014, is as follows:

Year Ended June 30	Accretion Rate	Original Issue (Principal)	Accreted Interest	Totals
2015-2019		$ 0	$ 0	$ 0
2020-2024	7.586%	39,780	31,416	71,196
2025-2029	7.586%	159,968	126,336	286,304
2030-2034	7.586%	110,243	87,067	197,310
Totals		$ 309,991	$ 244,819	$ 554,810

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The annual requirements to amortize the Series 2006A capital appreciation bonds at June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Totals
2015-2019	$ 0	$ 0	$ 0
2020-2024	39,780	100,220	140,000
2025-2029	159,968	540,032	700,000
2030-2034	110,243	589,757	700,000
Totals	$ 309,991	$ 1,230,009	$ 1,540,000

The outstanding obligation for Series 2006B capital appreciation bonds at June 30, 2014, is as follows:

Year Ended June 30	Accretion Rate	Original Issue (Principal)	Accreted Interest	Totals
2015-2019		$ 0	$ 0	$ 0
2020-2024		0	0	0
2025-2029		0	0	0
2030-2034	5.523%	1,025,915	544,727	1,570,642
2035-2039	5.523%	1,264,893	671,641	1,936,534
2040-2044	5.523%	869,125	461,469	1,330,594
Totals		$ 3,159,933	$ 1,677,837	$ 4,837,770

The annual requirements to amortize the Series 2006B capital appreciation bonds at June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Totals
2015-2019	$ 0	$ 0	$ 0
2020-2024	0	0	0
2025-2029	0	0	0
2030-2034	1,025,915	3,044,085	4,070,000
2035-2039	1,264,893	5,180,107	6,445,000
2040-2044	869,125	4,790,875	5,660,000
Totals	$ 3,159,933	$ 13,015,067	$ 16,175,000

NOTE 8 - CERTIFICATES OF PARTICIPATION

On February 12, 2013, the Sausalito School District Financing Corporation issued certificates of participation in the principal amount of $3,675,000 to provide financing for the MLK Jr. Academy Classroom Construction Project. At June 30, 2014, the principal balance outstanding was $3,675,000.

The annual requirements to amortize the certificates of participation as of June 30, 2014 are as follows:

Year Ended June 30	Principal	Interest	Totals
2015	$ 95,000	$ 102,215	$ 197,215
2016	95,000	101,669	196,669
2017	95,000	100,980	195,980
2018	95,000	100,125	195,125
2019	95,000	99,080	194,080
2020-2024	500,000	470,826	970,826
2025-2029	560,000	404,764	964,764
2030-2034	650,000	313,960	963,960
2035-2039	775,000	194,065	969,065
2040-2044	715,000	51,187	766,187
Totals	$ 3,675,000	$ 1,938,871	$ 5,613,871

NOTE 9 - CAPITAL LEASES

A. On December 1, 2002, the District entered into a $1,000,000 lease agreement to finance the remodel of its existing school facilities and the update of its technology systems. The agreement requires the District to make fifteen (15) annual payments of $55,766 to a sinking fund maintained by US Bank. The sum of the annual payments plus interest earned on the sinking fund balance are expected to be sufficient to make a single $1,000,000 lease payment on December 19, 2017 and pay-off the entire lease balance at that time. The lease does not include a prepayment option. The agreement provides for title to pass upon expiration of the lease period. Future required sinking fund payments as of June 30, 2014 are as follows:

Year Ended June 30	Sinking Fund Payments
2015	$ 55,766
2016	55,766
2017	55,766
2018	55,766
Total sinking fund payments remaining	$ 223,064
Lease payment due December 19, 2017	$ 1,000,000

At June 30, 2014, the Debt Service Fund has a fund balance of $725,062.

NOTE 9 - CAPITAL LEASES (CONCLUDED)

B. The District entered into a lease agreement to finance the acquisition of energy management equipment valued at $156,600. The agreement provides for title to pass upon expiration of the lease period.

Future minimum lease payments under this agreement are as follows:

Year Ended June 30	Lease Payments
2015	$ 19,399
2016	19,399
Total payments	38,798
Less amounts representing interest	(492)
Present value of net minimum lease payments	$ 38,306

The District will receive no sublease rental revenues nor pay any contingent rentals for the leased assets.

NOTE 10 - EARLY RETIREMENT INCENTIVES

In addition to the pension benefits described in Note 15, the District offered an early retirement incentive benefit program through the Public Agency Retirement System (PARS) in fiscal year 2009-10. The PARS program was offered to all certificated employees with at least 30 years of teaching experience and 10 years of service with the District. The District has one remaining payment of $16,884 due in fiscal year 2014-15.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of other post employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

Plan Descriptions: The District provides medical coverage to classified employees, with at least 15 years of service in the District who retire before the age of 65 and are at least 55 at the time of retirement. The District also provides medical coverage to certain administrators and confidential and classified management employees who retire before the age of 65 and are at least 55 at the time of retirement. The District subsidized coverage ceases after 24 months or at age 65, whichever occurs first. The District contributes up to the employee only rate towards retiree health premiums up to the District's annual cap, which was $10,191 at the time of the valuation.

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

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

The District had twenty (20) active employees and one (1) retired employee covered by the OPEB Plan as of July 1, 2013, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2014, the amount contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of $12,801 for the year ended June 30, 2014.

Annual required contribution (ARC)	$ 20,625
Interest on Net OPEB Obligation	0
Adjustment to ARC	0
Annual OPEB cost	20,625
Contributions for the fiscal year	(7,824)
Increase in Net OPEB Obligation	12,801
Net OPEB Obligation - June 30, 2013	0
Net OPEB Obligation - June 30, 2014	$ 12,801

In future years, three-year trend information will be presented. Prior to fiscal year 2013-14, the District's OPEB obligation was not material to the financial statements and therefore, prior year comparative data is not available.

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 July 1, 2013, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability is being amortized on the level dollar basis over an open 30 year amortization period. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial medical cost rate of 8%, which grades down to an ultimate rate of 5% by the 4^{th} year, and constant 4% cost rate for dental and vision.

NOTE 12 - LONG-TERM LIABILITIES

The changes in long-term liabilities for the year ended June 30, 2014, is shown below:

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014	Due within One Year
Compensated Absences	$ 9,412	$ 14,920	$ 9,412	$ 14,920	$ 8,568
General Obligation Bonds:					
Current Interest	10,560,000		350,000	10,210,000	385,000
Capital Appreciation	5,096,262	296,318		5,392,580	
Certificates of Participation	4,055,000		380,000	3,675,000	95,000
Capital Leases	1,065,390		27,084	1,038,306	17,874
Early Retirement Incentives	33,768		16,884	16,884	16,884
Other Post Employment Benefits	0	20,625	7,824	12,801	
Totals	$ 20,819,832	$ 331,863	$ 791,204	$ 20,360,491	$ 523,326

General obligation bonds are an obligation of the Bond Interest and Redemption Fund, which is funded by property taxes collections. The remaining long-term liabilities are obligations of the General Fund.

NOTE 13 - FUND BALANCES

The District's fund balances at June 30, 2014 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Debt Service Fund	Capital Projects-Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable	$ 1,000				$ 40	$ 1,040
Restricted	161,992	$ 632,024	$ 725,062		24,645	1,543,723
Assigned				$ 147,121	75,158	222,279
Unassigned:						
Economic Uncertainties	555,431					555,431
Other	1,285,301					1,285,301
Total Fund Balances	$ 2,003,724	$ 632,024	$ 725,062	$ 147,121	$ 99,843	$ 3,607,774

NOTE 14 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. This payment consists of state general fund contributions to CalSTRS of $57,224 (5.204002% of salaries subject to CalSTRS).

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $136,852, $116,109, and $90,718, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were $86,997, $106,529, and $106,309, respectively, and equal 100% of the required contributions for each year.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

C. Social Security

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

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013-14, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 17 - JOINT VENTURES

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

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

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 18 - CHARTER SCHOOL

In accordance with Education Code Section 47605, the District approved a charter school agreement with Willow Creek Academy Charter School, which was renewed for an additional five years for the period July 1, 2009 through June 30, 2014.

Under the terms of the agreement, the charter school is responsible for managing, budgeting, and accounting for its activities in accordance with accounting principles generally accepted in the United States of America. Therefore, the financial activities of the charter school are not included in the District's financial reports; however, the financial transactions between the charter school and the District are included.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

C. Child Nutrition Program Administrative Review

During fiscal year 2013-14, the California Department of Education's Child Nutrition Division performed an Administrative Review on the District's national school lunch, school breakfast and afterschool snack programs for the month of February 2014. The state's review resulted in a revocation of the Provision 2 status for the District's school when supporting eligibility documentation from the 2010 base year could not be located. The District collected new free and reduced price meal applications during fiscal year 2013-14 and was instructed to begin claiming reimbursements based on meals served using actual eligibility classifications. The state reviewed the District's new meal counting procedures for May 2014 with no exceptions noted.

The state's review comments noted that total meal counts, by category, would be adjusted by reviewers by multiplying the counts by a normalization factor based on nationwide historical daily participation data and the resulting percentages would be applied to reimbursement claims dating back to the beginning of the 2013-14 school year. This matter has been turned over to the California Department of Education's Program Integrity Unit for final resolution. These financial statements do not contain any adjustments related to this noncompliance, since the outcome of the CDE's review cannot reasonably be determined at this time.

NOTE 20 - RESTATEMENT OF NET POSITION

In accordance with the provisions of GASB 65, the beginning net position balance has been restated to reflect the write-off of unamortized debt issuance costs. The effect of the restatement on the current year financial statements is as follows:

	Statement of Activities
Net Position - July 1, 2013 (as originally stated)	$ 7,793,428
Overstatement of Unamortized Debt Issuance Costs	(168,345)
Net Position - July 1, 2013 (as restated)	$ 7,625,083

NOTE 21 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 12, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements, except as described below.

Charter Renewal

On July 8, 2014, the District renewed the charter school agreement with Willow Creek Academy Charter School for an additional five years for the period of July 1, 2014 through June 30, 2019.

SUPPLEMENTARY INFORMATION SECTION

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
LCFF Sources:				
State Apportionment / Transfers	$ 185,771	$ 903,398	$ 1,046,474	$ 143,076
Local Sources	3,011,256	3,158,718	3,181,757	23,039
Total LCFF Sources	3,197,027	4,062,116	4,228,231	166,115
Federal Revenue	326,356	318,541	314,535	(4,006)
Other State Revenue	900,344	308,373	278,793	(29,580)
Other Local Revenue	1,073,374	1,073,269	975,972	(97,297)
Total Revenues	5,497,101	5,762,299	5,797,531	35,232
Expenditures				
Certificated Salaries	1,626,872	1,809,504	1,766,212	43,292
Classified Salaries	824,394	795,764	766,889	28,875
Employee Benefits	726,420	755,709	684,806	70,903
Books and Supplies	163,935	321,521	216,624	104,897
Services and Other Operating Expenditures	1,591,276	1,572,540	1,196,895	375,645
Capital Outlay				
Debt Service:				
Principal Retirement	16,516	26,417	27,084	(667)
Interest and Fiscal Charges	2,884	3,169	2,501	668
Other Expenditures	716,278	590,278	612,529	(22,251)
Total Expenditures	5,668,575	5,874,902	5,273,540	601,362
Excess of Revenues Over (Under) Expenditures	(171,474)	(112,603)	523,991	636,594
Other Financing Sources (Uses)				
Operating Transfers In			6	6
Operating Transfers Out	(283,600)	(311,759)	(275,938)	35,821
Total Other Financing Sources (Uses)	(283,600)	(311,759)	(275,932)	35,827
Net Change in Fund Balances	(455,074)	(424,362)	248,059	$ 672,421
Fund Balances - July 1, 2013	1,755,665	1,755,665	1,755,665	
Fund Balances - June 30, 2014	$ 1,300,591	$ 1,331,303	$ 2,003,724	

SAUSALITO MARIN CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Deferred Maintenance	Cafeteria	Corporation Debt Service
Assets			
Deposits and Investments	$ 90,959	$ 7,828	$ 22
Receivables		17,040	
Total Assets	$ 90,959	$ 24,868	$ 22
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	$ 15,801	$ 1,064	
Total Liabilities	15,801	1,064	
Fund Balances:			
Nonspendable		40	
Restricted		23,764	$ 22
Assigned	75,158		
Total Fund Balances	75,158	23,804	22
Total Liabilities and Fund Balances	$ 90,959	$ 24,868	$ 22

Building		County School Facilities		Corporation Acquisition		Total Non-Major Governmental Funds	
$	246	$	591	$	22	$	99,668
							17,040
$	246	$	591	$	22	$	116,708
						$	16,865
							16,865
							40
$	246	$	591	$	22		24,645
							75,158
	246		591		22		99,843
$	246	$	591	$	22	$	116,708

SAUSALITO MARIN CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Deferred Maintenance	Cafeteria	Corporation Debt Service
Revenues			
LCFF Sources:			
State Apportionment / Transfers	$ 4,829		
Federal Revenue		$ 101,455	
State Revenue		6,973	
Local Revenue	240	34	$ 33
Total Revenues	5,069	108,462	33
Expenditures			
Food Services		133,455	
Plant Services	13,520		
Facilities Acquisition and Construction	232,876		
Debt Service:			
Principal Retirement			380,000
Interest and Issuance Costs			143,935
Total Expenditures	246,396	133,455	523,935
Excess of Revenues Over (Under) Expenditures	(241,327)	(24,993)	(523,902)
Other Financing Sources (Uses)			
Operating Transfers In	45,171	40,000	195,671
Operating Transfers Out			(6)
Total Other Financing Sources (Uses)	45,171	40,000	195,665
Net Change in Fund Balances	(196,156)	15,007	(328,237)
Fund Balances - July 1, 2013	271,314	8,797	328,259
Fund Balances - June 30, 2014	$ 75,158	$ 23,804	$ 22

Building	County School Facilities	Corporation Acquisition	Total Non-Major Governmental Funds
			$ 4,829
			101,455
			6,973
	$ 1	$ 748	1,056
	1	748	114,313
			133,455
			13,520
			232,876
			380,000
			143,935
	0	0	903,786
	1	748	(789,473)
			280,842
		(2,452,871)	(2,452,877)
	0	(2,452,871)	(2,172,035)
$ 0	1	(2,452,123)	(2,961,508)
246	590	2,452,145	3,061,351
$ 246	$ 591	$ 22	$ 99,843

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
7/1/13	$ 0	$ 107,144	$ 107,144	0%	$ 1,145,431	9.35%

SEE NOTES TO SUPPLEMENTARY INFORMATION

SAUSALITO MARIN CITY SCHOOL DISTRICT

ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ORGANIZATION

The Sausalito Marin City School District comprises and serves the City of Sausalito, Marin City, and several military installations. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school serving students in kindergarten through grade eight.

BOARD OF TRUSTEES

Name	Office	Term Expires
William Ziegler	President	December 2016
Joshua Barrow	Vice President	December 2014
Caroline Van Alst	Clerk	December 2016
Thomas Newmeyer	Member	December 2014
Shirley Thornton, Ed. D.	Member	December 2014

ADMINISTRATION

Steve Van Zant
Superintendent

Paula F. Rigney
Business Manager

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular ADA	68.10	45.39	25.38	138.87
Special Education - Nonpublic	0.89	2.72		3.61
Totals	68.99	48.11	25.38	142.48

	Annual Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular ADA	69.66	45.41	26.59	141.66
Special Education - Nonpublic	0.90	2.77		3.67
Totals	70.56	48.18	26.59	145.33

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Grade Level	Minutes Required	Adjusted Minutes Required	2013-14 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	51,270	180	N/A	In Compliance
Grade 1	50,400	49,000	60,930	180	N/A	In Compliance
Grade 2	50,400	49,000	60,930	180	N/A	In Compliance
Grade 3	50,400	49,000	60,930	180	N/A	In Compliance
Grade 4	54,000	52,500	60,930	180	N/A	In Compliance
Grade 5	54,000	52,500	60,930	180	N/A	In Compliance
Grade 6	54,000	52,500	60,405	180	N/A	In Compliance
Grade 7	54,000	52,500	60,405	180	N/A	In Compliance
Grade 8	54,000	52,500	60,405	180	N/A	In Compliance

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Program Name	Federal Catalog Number	Pass-Through Identification Number	Federal Program Expenditures
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch	10.555	13524	$ 76,401
School Needy Breakfast	10.553	13526	25,054
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I - Basic Grant Low-Income & Neglected	84.010	14329	195,570
NCLB: Title II - Improving Teacher Quality	84.367	14341	23,404
NCLB: Title III - Immigrant Education Program	84.365	15146	747
NCLB: Title III - Limited English Proficient	84.365	14346	1,680
Passed through Marin County SELPA:			
Special Education Cluster:			
IDEA Part B Basic Local Assistance	84.027	13379	82,052
IDEA Part B Mental Health Allocation Plan	84.027A	14468	11,082
Total			$ 415,990

SEE NOTES TO SUPPLEMENTARY INFORMATION

SAUSALITO MARIN CITY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue - Special Reserve Fund	Capital Projects - Special Reserve Fund
June 30, 2014 Annual Financial and Budget Report Fund Balances	$ 1,831,220	$ 172,504	$ 188,484
Adjustments Increasing/(Decreasing) Fund Balances:			
Understatement of Capital Outlay Expenditures			(41,363)
Reclassifications Increasing/(Decreasing) Fund Balances:			
Reclassification of Fund Balances	172,504	(172,504)	
June 30, 2014 Audited Financial Statements Fund Balances	$ 2,003,724	$ 0	$ 147,121

Auditor's Comments

The fund balances of the General Fund and Special Revenue - Special Reserve Fund have been combined for financial reporting purposes in accordance with GASB 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2014.

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND			
	(Budget)* 2014-15**	2013-14	2012-13	2011-12
Revenues and Other Financial Sources	$ 5,476,427	$ 5,797,537	$ 6,003,777	$ 5,869,977
Expenditures	5,309,796	5,273,540	5,644,405	5,505,000
Other Uses and Transfers Out	362,655	275,938	324,109	295,016
Total Outgo	5,672,451	5,549,478	5,968,514	5,800,016
Change in Fund Balance	(196,024)	248,059	35,263	69,961
Ending Fund Balance	$ 1,807,700	$ 2,003,724	$ 1,755,665	$ 1,720,402
Available Reserves	$ 1,472,204	$ 1,840,732	$ 1,555,347	$ 1,364,459
Reserve for Economic Uncertainties ***	$ 567,245	$ 555,431	$ 588,841	$ 577,517
Available Reserves as a Percentage of Total Outgo	26.0%	33.2%	26.1%	23.5%
Average Daily Attendance at P-2	134	142	117	128
Total Long-Term Liabilities	$ 19,837,165	$ 20,360,491	$ 20,819,832	$ 17,680,436

* Amounts reported for the budget are presented for analytical purposes only and have not been audited.

** Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.

*** Reported balances are a component of available reserves.

The fund balance of the General Fund increased $283,322 (16.5%) over the past two years. The fiscal year 2014-15 budget projects a decrease of $196,024 (9.8%). For a district this size, the state recommends available reserves of at least 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses in each of the past three years.

Average daily attendance (ADA) increased 14 ADA (10.9%) over the past two years. The District anticipates a decrease of 8 ADA during fiscal year 2014-15.

Total long-term liabilities increased $2,680,055 over the past two years due primarily to the issuance of $3,675,000 of certificates of participation in fiscal year 2012-13.

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Charter School	District Audit
Willow Creek Academy	Included

SEE NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Combining Statements

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

C. Schedule of Funding Progress

In accordance with Governmental Accounting Standards Board Statement No. 45, the District is required to present a schedule which shows the funding progress of the District's OPEB plan for the most recent valuation and two preceding valuations, as applicable. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability, the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability to annual covered payroll.

D. Schedule of Average Daily Attendance

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

E. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year, but the District did not meet or exceed its LCFF target funding. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

F. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activities 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds, as reported in the Annual Financial and Budget Report to the audited financial statements.

H. 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.

I. Schedule of Charter Schools

This schedule lists all charter schools chartered by the District and identifies whether or not the charter schools were included or excluded from the audit of the District.

OTHER INDEPENDENT AUDITOR’S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Sausalito Marin City School District
Sausalito, California

Report on State Compliance

We have audited Sausalito Marin City School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14* for the fiscal year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Sausalito Marin City 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. Our audit does not provide a legal determination of Sausalito Marin City School District's compliance with those requirements.

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

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable

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

Description	Procedures in Audit Guide	Procedures Performed
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance For Charter Schools	8	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform procedures for the independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Sausalito Marin City School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 14-3, 14-4, 14-5** and **14-6**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Sausalito Marin City School District
Sausalito, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sausalito Marin City School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

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

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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness, as noted in **Finding 14-1**.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency, as noted in **Finding 14-2**.

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

Compliance and Other Matters

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

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2014

FINDINGS AND QUESTIONED COSTS SECTION

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?	X	Yes		No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		None reported
Noncompliance material to financial statements noted?		Yes	X	No

State Awards

Internal control over state programs:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		None reported
Type of auditor's report issued on compliance for state programs:	Unmodified			

SECTION II - FINANCIAL STATEMENT FINDINGS

14 - 1 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - UNAUDITED ACTUALS

Criteria:	Each year, school districts are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. In addition, each year governing boards certify that the report is prepared in accordance with Education Code Section 41010, and approve the report as the official submission of financial information that will be used as the basis for the district's annual financial statements. Accordingly, districts should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement.
Condition:	Capital outlay costs incurred during fiscal year 2013-14, but not paid until fiscal year 2014-15, were not included in accounts payable at June 30, 2014. As a result, $41,363 of capital outlay costs was recognized as expenditures in the incorrect fiscal year.
Questioned Costs:	None.
Context:	The adjustment made to ensure that the financial statements are fairly stated is presented on page 61 of this report.
Effect:	The "Unaudited Actuals" approved by the Governing Board contained a misstatement that was material to the District's annual financial statements.
Cause:	The District did not accrue the internally held construction retention, earned as of June 30, 2014, in accounts payable during the year-end closing process.
Recommendation:	The District should establish appropriate procedures to ensure that all material expenditures are recorded in the correct fiscal year.
District Response:	The District agrees and will start the year-end process earlier in the school year to ensure that errors are minimized and that there is more time to double check everything prior to finalizing the unaudited actuals

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

14 - 2 / 30000

SIGNIFICANT DEFICIENCY

CAFETERIA FUND ENCROACHMENT

Criteria: The Cafeteria Fund should attempt to operate as close to break-even as possible to minimize the encroachment on the General Fund.

Condition: The Cafeteria Fund has not operated close to a break-even basis. The program continues to incur increasing operating deficits and has relied upon annual contributions from the General Fund. A summary of the operating deficits and annual contributions are as follows:

	Budget 2014-15	2013-14	2012-13	2011-12
Cafeteria Fund Operating Deficits	$ 59,435	$ 24,993	$ 74,399	$ 60,908
General Fund Contributions	$ 59,435	$ 40,000	$ 83,196	$ 60,159

Questioned Cost: None.

Context: The Cafeteria Fund has incurred annual operating deficits totaling $160,300 over the past three years. The District may also be required to repay funds to the California Department of Education as a result of findings noted in their Child Nutrition Program Administrative Review performed during fiscal year 2013-14 (Note 19C). In addition, the District has $3,675,000 of outstanding certificates of participation that will have to be financed by the General Fund, which will further deplete the District's reserves.

Effect: If appropriate program cuts are not maintained, the current trend of deficit spending in the Cafeteria Fund will likely continue and may begin to impair the District's ability to maintain adequate reserves in the General Fund in the future.

Cause: The District made significant changes to cafeteria operations in fiscal year 2013-14 that appear to have resulted in reduced expenditures. However, it is uncertain whether the District can continue to keep costs down and whether the support from Conscious Kitchen, a non-profit foundation, will continue in future years.

Recommendation: The District should continue to investigate program changes that will allow the Cafeteria Fund to operate closer to a break-even basis and become less dependent on annual General Fund contributions.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

CAFETERIA FUND ENCROACHMENT (CONCLUDED)

District Response: The District has implemented an in house cafeteria program with the hope of being able to continue to provide an all organic/environmental food program that is cost effective and efficient.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

14 - 3 / 70000

SIGNIFICANT DEFICIENCY

INSTRUCTIONAL MATERIALS FUNDING REALIGNMENT PROGRAM

Criteria: In accordance with Education Code Section 60119, a governing board shall hold a public hearing, on or before the end of the eighth week of school, and shall make a determination, through a resolution, as to whether each pupil in each school in the district has sufficient textbooks or instructional materials, or both, that are aligned to the content standards adopted pursuant to Section 60605 in each of the following subjects, as appropriate, that are consistent with the content and cycles of the curriculum framework adopted by the state board in mathematics, science, history-social science, and English/language arts, including the English language development component of an adopted program.

Condition: The required public hearing was not held during the first eight weeks of school.

Questioned Costs: None. This noncompliance has no fiscal impact beginning in fiscal year 2013-14.

Context: The District held a public hearing and approved a compliant resolution during the ninth week of school.

Effect: The District did not comply with the requirements of Education Code Section 60119.

Cause: The District did not have appropriate procedures in place to ensure that the public hearing was held on or before the end of the eighth week of school.

Recommendation: The District should establish procedures to ensure that the required public hearing is held within the first eight weeks of school in accordance with Education Code Section 60119.

District Response: The District underwent some personnel changes and shifting in responsibility. The new individual has been instructed and provided the Education Code Section 60119, therefore the public hearing will be held within the first eight weeks of school.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

14 - 4 / 72000

SIGNIFICANT DEFICIENCY

SCHOOL ACCOUNTABILITY REPORT CARD

Criteria: On November 8, 1988, California voters passed Proposition 98, also known as *The Classroom Instructional Improvement and Accountability Act*, which provides California public schools with a stable source of funding. In return, all public schools in California are required to prepare school accountability report cards (SARC) on an annual basis and disseminate them to the public.

Condition: The District did not publish complete school accountability report cards for Bayside Elementary and Martin Luther King Jr. Academy in fiscal year 2013-14.

Questioned Costs: None. This noncompliance has no fiscal impact.

Context: There were no complaints noted on the quarterly report of summarized complaint data in fiscal year 2013-14. The District completed OPSC's Facility Inspection Tool for the Bayside Elementary / Martin Luther King Jr. Academy on September 13, 2013 (Grades K-8 were consolidated onto a single site beginning in fiscal year 2013-14). The District approved a resolution regarding the sufficiency of textbooks and instructional materials for fiscal year 2013-14.

Effect: The District did not comply with the requirements of Proposition 98 and therefore did not comply with all the additional requirements added since the passage of Proposition 98.

Cause: The District did publish school accountability report cards in fiscal year 2013-14. However, the District did not have procedures in place to ensure that the supplemental schedules, which disclosed the details regarding school facilities, textbooks, teacher vacancies and misassignments, were published.

Recommendation: The District should establish procedures to ensure that complete school accountability report cards are prepared for all school sites on an annual basis and disseminated to the public in accordance with Proposition 98.

District Response: The District underwent some personnel changes and shifting in responsibility. The new individual has been instructed and provided the instruction and training, therefore the SARC will have all of the corresponding links.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

14 - 5 / 40000

SIGNIFICANT DEFICIENCY

AFTER SCHOOL EDUCATION AND SAFETY PROGRAM

Criteria: 1-2. In accordance with Education Code Section 8483 (a)(2), it is the intent of the Legislature that elementary school pupils attend the entire program every day that the program operates, with the exception of absences allowed under each district's early release policy. In addition, Education Code Section 8483 (a)(3), requires districts to give enrollment priority to students who are able to attend the program daily. Accordingly, districts must have a system in place to classify student absences, as either allowable or unallowable in accordance with the district's early release policy, and must be able to utilize such data to ensure that the students, who are able to attend the program the most, are given enrollment priority over those students who are unable to attend.

Conditions: 1-2. The District contracted with the Boys & Girls Clubs of Marin and Southern Sonoma Counties, to fulfill the requirements of providing afterschool services at the Bayside Elementary / Martin Luther King Jr. Academy in fiscal year 2013-14. The contractor developed appropriate records, for classifying student absences as either allowable or unallowable in accordance with the District's early release policy; however, the contractor did not establish appropriate procedures to ensure that the attendance sign in/out sheets were being completed in accordance with the intent of the form. As a result, we noted numerous instances where students were released early from the program and the designated space provided for the early release reason code was left blank.

Questioned Costs: 1-2. None. The District's failure to use early release codes as a means of prioritizing student enrollment in the program does not affect program attendance, and has no fiscal impact on District's funding. The District does not maintain a waiting list since all students interested in attending the program are allowed to attend.

Context: 1. Of the 419 days of attendance tested at Bayside Elementary 147 of the days did not properly include a valid early release code to identify the reason for the early release.

2. Of the 364 days of attendance tested at Martin Luther King Jr. Academy 94 of the days did not properly include a valid early release code to identify the reason for the early release.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (CONCLUDED)

Effects: 1-2. The District does not appear to have appropriate procedures in place to ensure compliance with Education Code Sections 8483 (a)(2) and 8483 (a)(3).

Causes: 1-2. The District has not established appropriate procedures to review the attendance records that are prepared and maintained by the contractor.

Recommendation: 1-2. The District should establish appropriate procedures to review the attendance records that are prepared and maintained by the contractor, to ensure that the program is operated in accordance with state laws.

District Response: The District agrees and will start meeting the After School Providers quarterly to review the attendance sheets to ensure that the program is operated in accordance with state laws.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

14 - 6 / 40000

SIGNIFICANT DEFICIENCY

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS

Criteria: Education Code Section 60900 requires local educational agencies to report certain pupil information to the Superintendent of Public Instruction on an annual basis using the California Longitudinal Pupil Achievement Data System (CALPADS). Some of the information required to be reported includes pupil classifications related to free and reduced-price meal eligibility (FRPM) and English learner (EL) status, both of which are used in determining the amount of supplemental grant and concentration grant funding earned by local educational agencies under the Local Control Funding Formula (LCFF). Accordingly, all information reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, as of the Census Day (October 2), should agree to the relevant supporting documentation maintained by the local education agency.

Condition: The District did not have documentation to support the free or reduced price meal eligibility status assigned to 38 students on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, who had a "No" under the "Direct Certification" column, and who did not possess any other status designation that allowed the pupils to be reported as part of the unduplicated pupil count.

Questioned Costs: We tested 100% of the population where the error was discovered. A summary of certified enrollment, unduplicated pupil counts, pupil count adjustments, and audited unduplicated pupil counts is presented for the District's schools, as follows:

	Total Enrollment	Total Unduplicated Eligible Free/Reduced Meal Counts	EL Funding Eligible	Unduplicated FRPM/EL Eligible Count
Bayside Martin Luther King Jr.	145	128	32	131
NPS School Group	3	1	0	1
Certified Pupil Counts	148	129	32	132
Audit Adjustments	0	(38)	0	(38)
Audited Pupil Counts	148	91	32	94

The District received funding under the Basic Aid provision and did not receive either supplemental or concentration grant funding in fiscal year 2013-14, therefore there is no fiscal impact.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONCLUDED)

Context: The District participated in the National School Lunch and School Breakfast programs as a Provision 2 school at the beginning of fiscal year 2013-14.

Effect: The District overstated the unduplicated pupil counts reported to the California Department of Education for fiscal year 2013-14.

Cause: The federal regulations for Provision 2 reduces free and reduced priced meal (FRPM) application burdens to once every four years. Provision 2 requires schools to make eligibility determinations during the first year, or base year, and no new eligibility determinations are made during the next three years. Fiscal 2013-14 was not a base year for the District and therefore, no FRPM applications were collected. The District was not aware that they were required to collect other documentation, such as an alternative income form, to support the free or reduced price meal eligibility status for students reported as eligible in CALPADS.

Recommendation: The District should establish procedures to ensure that counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.

District Response: The District agrees and therefore started collecting lunch applications for students that are not direct certified, as of February 2014. In future years, the District will ensure that all students reported as eligible for FRPM on CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List will have appropriate supporting documentation such as a free and reduced priced meal application or alternative income form.

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Recommendations	Current Status	Explanation If Not Fully Implemented
FINANCIAL STATEMENTS		
13 - 1 / 30000		
FINANCIAL REPORTING - UNAUDITED ACTUALS		
The District should add procedures to their comprehensive financial reporting checklist to ensure all relevant areas are covered during the year-end closing process.	Partially Implemented	Comment Repeated (**Finding 14-1**)
13 - 2 / 30000		
CAFETERIA FUND ENCROACHMENT		
The District should continue to investigate program changes that will allow the Cafeteria Fund to operate closer to a break-even basis and become less dependent on annual General Fund contributions.	Partially Implemented	Comment Repeated (**Finding 14-2**)
13 - 3 / 30000		
TRANSACTION AUTHORIZATION		
The supplemental funding provided to the Charter School should be approved in a memorandum of understanding between the District and Charter School so the Business Manager has documented authorization to support the transfers of supplemental funding to the Charter School.	Not Implemented	Comment Not Repeated District implemented in fiscal year 2014-15.

Recommendations	Current Status	Explanation If Not Fully Implemented
STATE AWARDS		
13 - 4 / 40000		
INSTRUCTIONAL MINUTES CALCULATIONS		
The District should enforce procedures that require each site administrator to compute the annual instructional minutes at the beginning of each school year, and submit their calculation, along with the related school calendar and bell schedules, to the business office for review. In addition, site administrators should be notified that changes may not be made to bell schedules without obtaining prior approval from the business office. If revisions are made to site bell schedules, site administrators should recalculate instructional minutes and submit the revised calculations to the business office for review.	Implemented	
13 - 5 / 10000		
ATTENDANCE		
The District should establish procedures to ensure that site attendance clerks review monthly attendance reports to ensure that the average daily attendance for SDC pupils is properly reported in Program S instead of the regular education program.	Implemented	
The District should establish procedures to ensure that attendance reports are independently reviewed for accuracy prior to submitting the attendance reports to the State.	Implemented	
The District should establish procedures and documentation requirements to ensure that the use of “all day” absence codes and the verification of partial day versus full day absences is properly being performed and documented by site personnel.	Implemented	

Recommendations	Current Status	Explanation If Not Fully Implemented
STATE AWARDS (CONCLUDED)		
13 - 5 / 10000		
ATTENDANCE (CONCLUDED)		
The District should revise the P-2 and Annual attendance reports to reflect the audited numbers.	Implemented	
13 - 6 / 40000		
CLASS SIZE REDUCTION		
The District should develop procedures to ensure that the average daily enrollment for each participating class claimed for funding is calculated in accordance with Education Code Section 52124.	Reporting Not Applicable in 2013-14	Comment Not Repeated
In addition, the District should file a revised Form J-7CSR for fiscal year 2012-13.	Implemented	
13 - 7 / 72000		
SCHOOL ACCOUNTABILITY REPORT CARD		
The District should establish procedures to ensure that the required school accountability report cards are prepared for all school sites on an annual basis and disseminated to the public in accordance with Proposition 98. In addition, the District should contact the California Department of Education to determine if the District needs to take further action as a result of this finding.	Partially Implemented	Comment Repeated (**Finding 14-4**)

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APPENDIX D

COUNTY INVESTMENT REPORT

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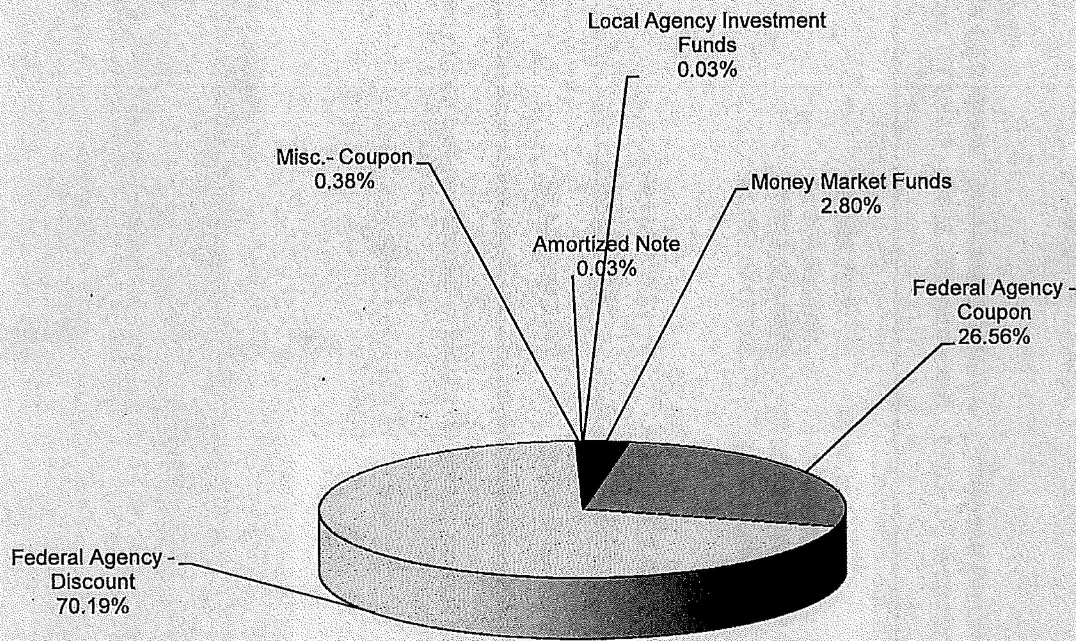
Treasurer Division - Department of Finance
Portfolio Yield Report - Operating Funds
County of Marin, Schools & Special Districts
November 30, 2014

INVESTMENT HOLDINGS	BOOK VALUE	11/30/14
Local Agency Investment Funds	$236,521.34	0.261%
Money Market Funds	$20,005,017.17	0.010%
Federal Agency - Coupon	$189,987,750.00	0.875%
Federal Agency - Discount	$502,069,598.36	0.059%
Misc.- Coupon	$2,734,777.00	3.532%
Amortized Note	$235,675.00	3.500%
TOTAL	$715,269,338.87	0.289%

PORTFOLIO ALLOCATION



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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Sausalito Marin City School District
33 Buchanan Drive
Sausalito, California 94939

OPINION: $16,510,000 Sausalito Marin City School District (Marin County, California) 2015 General Obligation Refunding Bonds

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Members of the Board of Trustees:

We have acted as bond counsel to the Sausalito Marin City School District (the "District") in connection with the issuance by the District of $16,510,000 principal amount of Sausalito Marin City School District (Marin County, California) 2015 General Obligation Refunding Bonds (the "Bonds"), pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on January 13, 2015 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Marin County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the SAUSALITO MARIN CITY SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $16,510,000 Sausalito Marin City School District (County of Marin, California) 2015 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Board of Trustees of the District on January 13, 2015 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

"*Beneficial Owner*" shall mean any person who (a) 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, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2013-14 Fiscal Year, which is due not later than March 31, 2015, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. <u>Content of Annual Reports</u>. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) Adopted budget (or summary) of the District for the current fiscal year, or any interim budget reports approved as of the date of filing of the Annual Report;

(ii) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County; and

(iii) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* 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:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) 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.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolutions.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolutions for amendments to the Resolutions with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or 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 Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolutions. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

SAUSALITO MARIN CITY SCHOOL DISTRICT

By ____

Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Sausalito Marin City School District
Name of Issues:	Sausalito Marin City School District (County of Marin, California) 2015 General Obligation Refunding Bonds
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _______________.

Dated: __________________________

SAUSALITO MARIN CITY SCHOOL DISTRICT,
as Dissemination Agent

By ____
Title ______________________________________

cc: Paying Agent

APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 the 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 requested by an authorized representative of DTC. The deposit of the 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest 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 the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

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.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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