NEW ISSUE – BOOK ENTRY ONLY **RATING: Moody's: "Aa3"**
(See "RATING" herein.)

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

$25,000,000
SAN BRUNO PARK SCHOOL DISTRICT
(San Mateo County, California)
GENERAL OBLIGATION BONDS,
2018 ELECTION, 2019 SERIES A

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

The San Bruno Park School District (San Mateo County, California) General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds") are being issued by the San Bruno Park School District (the "District") to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECTS." The Bonds were authorized at an election within the District held on November 6, 2018 (the "Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $79,000,000 aggregate principal amount of general obligation bonds of the District (the "Authorization"). The Bonds are the first series of general obligation bonds issued under the Authorization and are issued on a parity basis with all other general obligation bonds of the District.

The Bonds are general obligations of the District only and are not obligations of the County of San Mateo (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable. Such taxes

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2019. See ''THE BONDS'' herein.

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

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

MATURITY SCHEDULE
On Inside Cover

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

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriter by its counsel, Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about February 21, 2019.

RAYMOND JAMES®

The Date of this Official Statement is: February 6, 2019.

MATURITY SCHEDULE

$25,000,000
San Bruno Park School District
(San Mateo County, California)
General Obligation Bonds, 2018 Election, 2019 Series A

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (797002
2020	$2,095,000	4.000%	1.390%	DW9
2021	1,535,000	4.000	1.430	DX7
2030	40,000	4.000	2.430*	EG3
2031	110,000	4.000	2.610*	EH1
2032	150,000	4.000	2.780*	EJ7
2033	195,000	4.000	2.970*	EK4
2034	240,000	4.000	3.070*	EL2
2035	295,000	4.000	3.180*	EM0
2036	780,000	4.000	3.260*	EN8
2037	880,000	4.000	3.360*	EP3
2038	980,000	4.000	3.440*	EQ1
2039	1,095,000	4.000	3.490*	ER9
2040	1,220,000	4.000	3.530*	ES7

$2,845,000 5.000% Term Bonds due August 1, 2042; Yield 3.250%*, CUSIP[1] 797002 EX6

$5,440,000 4.000% Term Bonds due August 1, 2045; Yield 3.750%*, CUSIP[1] 797002 EW8

$7,100,000 5.000% Term Bonds due August 1, 2048; Yield 3.320%*, CUSIP[1] 797002 EU2

* Yield to first par call date of August 1, 2026.

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SAN BRUNO PARK SCHOOL DISTRICT
San Mateo County, State of California

Board of Education

Kevin J. Martinez, *President*
Andrew Mason, *Vice President*
Henry Sanchez, MD, *Clerk*
Jennifer M. Blanco, *Member*
Teri L. Chavez, *Member*

District Administrators

Stella M. Kemp, Ed.D., *Superintendent*
Wendy Richard, *Associate Superintendent for Business Services*
Valerie Rogers, Ph.D. *Assistant Superintendent, Educational Services*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Financial Advisor

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

Paying Agent, Transfer Agent and Registration Agent

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

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(continued)

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

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

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

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

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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.

$25,000,000
SAN BRUNO PARK SCHOOL DISTRICT
(San Mateo County, California)
GENERAL OBLIGATION BONDS, 2018 ELECTION, 2019 SERIES A

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover 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 San Bruno Park School District (the "District") proposes to issue $25,000,000 aggregate principal amount of its General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds") under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of not more than $79,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 6, 2018 (the "Election"). Subsequent to the issuance of the Bonds, $54,000,000 aggregate principal amount of bonds will remain for issuance pursuant to the Authorization.

Proceeds from the sale of the Bonds will be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith. See "THE PROJECTS" herein.

Registration

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

The District

The District, established as a school district in 1907, is comprised of approximately 15 square miles in San Mateo County (the "County"), about 12 miles south of the City of San Francisco, adjacent to and including a portion of San Francisco International Airport. The District serves the residents in all but a small portion of the City of San Bruno as well as adjacent unincorporated areas of the County. The District provides education services in five elementary schools, one middle school and a primary center serving kindergarten and first grade. The average daily attendance ("ADA") for the District for fiscal year 2018-19 is 2,397 students and the District has a 2018-19 assessed valuation of $8,080,020,233. The audited financial statements for the District for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX B. For further information concerning the District, see the caption "SAN BRUNO PARK SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

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

Continuing Disclosure

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

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas is acting as registrar, transfer agent and paying agent for the Bonds. Isom Advisors, A Division of Urban Futures, Incorporated, Walnut Creek, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is acting as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley, The Bank of New York Mellon Trust Company, N.A. and Isom Advisors will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about February 21, 2019.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the "Government Code") (commencing with Section 53506) and pursuant to a resolution of the Board of Education of the District adopted on December 12, 2018 (the "Resolution").

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the Election, which includes upgrading classrooms, science labs, technology, and school facilities to support student achievement and college readiness, improving student and school safety/security and repairing deteriorating roofs, plumbing and electrical systems. See "THE PROJECTS" herein.

Description of the Bonds

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

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

Book-Entry Only System

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

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" herein.

Payment of the Bonds

Interest on the Bonds is payable commencing August 1, 2019, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date"). The Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered prior to the close of business on July 15, 2019, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2030 may be redeemed before maturity at the option of the District, in whole or in part, from any source of available funds, on any date on or after August 1, 2026 at a redemption price equal to the par amount to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Redemption. The Bonds maturing on August 1, 2042 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2041, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2041	$1,345,000
2042(1)	1,500,000

(1) Maturity.

The Bonds maturing on August 1, 2045 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2043, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2043	1,655,000
2044	1,810,000
2045[(1)]	1,975,000

(1) Maturity.

The Bonds maturing on August 1, 2048 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2046, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2046	$2,155,000
2047	2,360,000
2048[(1)]	2,585,000

(1) Final maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2042, August 1, 2045 or August 1, 2048 are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

Selection of Bonds for Redemption

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

Notice of Redemption

Notice of any redemption of the Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Bonds to be redeemed; (vi) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (vii) the CUSIP number, if any, of each Bond to be redeemed; (viii) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (viii) notice that further interest on such Bonds will not accrue after the designated redemption date; and (ix) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice

Right to Rescind Notice of Redemption

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

Effect of Notice of Redemption

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

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

Transfer and Exchange

If the Bonds are no longer in book-entry-only form, any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series

Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Continuing Disclosure Agreement

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

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$25,000,000.00
Original Issue Premium	1,622,198.60
Total Sources	$26,622,198.60
Uses of Funds	
Deposit to Building Fund	$24,832,000.00
Deposit to Debt Service Fund	1,540,948.60
Costs of Issuance(1)	249,250.00
Total Uses	$26,622,198.60

(1) Includes Underwriter's discount, Bond and Disclosure Counsel fees, financial advisory fees, paying agent fees, rating agency fees and other costs of issuance.

Application of Proceeds

The net proceeds from the sale of the Bonds (other than premium) shall be paid to the County to the credit of the San Bruno Park School District Building Fund (the "Building Fund") established pursuant to the Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the Projects (as described below). Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the Debt Service Fund. Earnings on the investment of moneys in either the Building Fund or the Debt Service Fund will be retained in the respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Debt Service Fund may only be applied to make payments of principal of and interest, and premium, if any, on bonds of the District. All funds held in the Building Fund and the Debt Service Fund will be invested by the County Treasurer.

DEBT SERVICE SCHEDULE

The following table summarizes the principal and interest payments on the Bonds, assuming no optional redemption.

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2019	--	$488,644.44	$488,644.44
2020	$2,095,000.00	1,099,450.00	3,194,450.00
2021	1,535,000.00	1,015,650.00	2,550,650.00
2022	--	954,250.00	954,250.00
2023	--	954,250.00	954,250.00
2024	--	954,250.00	954,250.00
2025	--	954,250.00	954,250.00
2026	--	954,250.00	954,250.00
2027	--	954,250.00	954,250.00
2028	--	954,250.00	954,250.00
2029	--	954,250.00	954,250.00
2030	40,000.00	954,250.00	994,250.00
2031	110,000.00	952,650.00	1,062,650.00
2032	150,000.00	948,250.00	1,098,250.00
2033	195,000.00	942,250.00	1,137,250.00
2034	240,000.00	934,450.00	1,174,450.00
2035	295,000.00	924,850.00	1,219,850.00
2036	780,000.00	913,050.00	1,693,050.00
2037	880,000.00	881,850.00	1,761,850.00
2038	980,000.00	846,650.00	1,826,650.00
2039	1,095,000.00	807,450.00	1,902,450.00
2040	1,220,000.00	763,650.00	1,983,650.00
2041	1,345,000.00	714,850.00	2,059,850.00
2042	1,500,000.00	647,600.00	2,147,600.00
2043	1,655,000.00	572,600.00	2,227,600.00
2044	1,810,000.00	506,400.00	2,316,400.00
2045	1,975,000.00	434,000.00	2,409,000.00
2046	2,155,000.00	355,000.00	2,510,000.00
2047	2,360,000.00	247,250.00	2,607,250.00
2048	2,585,000.00	129,250.00	2,714,250.00
Total	$25,000,000.00	$23,714,044.44	$48,714,044.44

The table below shows the annual debt service payments on all of the District's outstanding general obligation bonds, comprising the General Obligation Bonds, Election of 1998, Series 1998 (the "1998 Series A Bonds"), the Election of 1998 General Obligation Bonds, Series B (the "1998 Series B Bonds"), the Election of 1998 General Obligation Bonds, Series C (the "1998 Series C Bonds") and the Bonds.

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Period Ending August 1	1998 Series A Bonds	1998 Series B Bonds	1998 Series C Bonds	The Bonds	Total Debt Service
2019	$1,235,000.00	$950,000.00	$675,000.00	$488,644.44	$3,348,644.44
2020	1,275,000.00	985,000.00	710,000.00	3,194,450.00	6,164,450.00
2021	1,320,000.00	1,015,000.00	755,000.00	2,550,650.00	5,640,650.00
2022	1,365,000.00	1,045,000.00	800,000.00	954,250.00	4,164,250.00
2023	1,410,000.00	1,080,000.00	845,000.00	954,250.00	4,289,250.00
2024	--	2,575,000.00	890,000.00	954,250.00	4,419,250.00
2025	--	2,660,000.00	945,000.00	954,250.00	4,559,250.00
2026	--	--	3,745,000.00	954,250.00	4,699,250.00
2027	--	--	--	954,250.00	954,250.00
2028	--	--	--	954,250.00	954,250.00
2029	--	--	--	954,250.00	954,250.00
2030	--	--	--	994,250.00	994,250.00
2031	--	--	--	1,062,650.00	1,062,650.00
2032	--	--	--	1,098,250.00	1,098,250.00
2033	--	--	--	1,137,250.00	1,137,250.00
2034	--	--	--	1,174,450.00	1,174,450.00
2035	--	--	--	1,219,850.00	1,219,850.00
2036	--	--	--	1,693,050.00	1,693,050.00
2037	--	--	--	1,761,850.00	1,761,850.00
2038	--	--	--	1,826,650.00	1,826,650.00
2039	--	--	--	1,902,450.00	1,902,450.00
2040	--	--	--	1,983,650.00	1,983,650.00
2041	--	--	--	2,059,850.00	2,059,850.00
2042	--	--	--	2,147,600.00	2,147,600.00
2043	--	--	--	2,227,600.00	2,227,600.00
2044	--	--	--	2,316,400.00	2,316,400.00
2045	--	--	--	2,409,000.00	2,409,000.00
2046	--	--	--	2,510,000.00	2,510,000.00
2047	--	--	--	2,607,250.00	2,607,250.00
2048	--	--	--	2,714,250.00	2,714,250.00
Total	$6,605,000.00	$10,310,000.00	$9,365,000.00	$48,714,044.44	$74,994,044.44

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. The District received authorization to issue $79,000,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 6, 2018. Subsequent to the issuance of the Bonds, $54,000,000 aggregate principal amount of general obligation bonds will remain for issuance under the Authorization.

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 receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. 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 treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

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

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

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

Pledge of Tax Revenues

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

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

THE PROJECTS

The District will apply the net proceeds of the Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list. The District intends to apply the net proceeds of the Bonds to finance the replacement of certain outdated portable classrooms with new permanent modular classrooms.

The "Smaller Classes, Safer Schools, and Financial Accountability Act," a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds, which was then submitted to the voters at the Election (the "Project List"). The District will prioritize and may not undertake to complete all components of the Project List.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.

***Ad Valorem* Property Taxation**

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

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

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

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

Assessed Valuations

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

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

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following tables presents the historical assessed valuation in the District since fiscal year 2008-09. The District's total assessed valuation is $8,080,020,233 for fiscal year 2018-19.

SAN BRUNO PARK SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2008-09 Through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2008-09	$4,993,643,447	$592,358	$1,120,200,259	$6,114,436,064	n/a
2009-10	4,706,841,673	592,358	1,486,982,675	6,194,416,706	1.31%
2010-11	4,596,412,055	592,358	826,733,855	5,423,738,268	-12.44
2011-12	4,682,232,578	146,517	870,711,174	5,553,090,269	2.38
2012-13	4,731,126,696	3,591,938	969,074,773	5,703,793,407	2.71
2013-14	5,000,840,528	4,437,517	872,986,390	5,878,264,435	3.06
2014-15	5,407,715,522	3,537,517	867,318,424	6,278,571,463	6.81
2015-16	5,770,218,033	3,164,818	934,391,207	6,707,774,058	6.84
2016-17	6,295,597,674	542,478	895,659,579	7,191,799,731	7.22
2017-18	6,700,669,920	542,478	991,278,711	7,692,491,109	6.96
2018-19	7,214,256,846	542,478	865,220,909	8,080,020,233	5.04

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "SECURITY FOR THE BONDS."

Appeals of Assessed Valuations

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

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

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

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

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

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the District by political jurisdiction.

SAN BRUNO PARK SCHOOL DISTRICT
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of San Bruno	$7,382,325,845	91.37%	$7,887,964,199	93.59%
Unincorporated San Mateo County	697,694,388	8.63	$21,766,167,452	3.21%
Total District	$8,080,020,233	100.00%		
San Mateo County	$8,080,020,233	100.00%	$223,462,912,060	3.62%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use.

SAN BRUNO PARK SCHOOL DISTRICT
2018-19 Assessed Valuation and Parcels by Land Use

Non-Residential:	2018-19 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Commercial/Office	$1,401,739,342	19.43%	394	3.31%
Industrial	78,047,923	1.08	83	0.70
Recreational	44,762,558	0.62	38	0.32
Government/Social/Institutional	15,591,737	0.22	54	0.45
Miscellaneous	2,049,250	0.03	56	0.47
Subtotal Non-Residential	$1,542,190,810	21.38%	625	5.25%
Residential:				
Single Family Residence	$4,166,106,484	57.75%	8,565	71.89%
Condominium/Townhouse	589,362,860	8.17	2,258	18.95
Hotel/Motel	66,129,935	0.92	11	0.09
2-4 Residential Units	128,487,373	1.78	237	1.99
5+ Residential Units/Apartments	696,822,417	9.66	112	0.94
Miscellaneous Residential	928,577	0.01	5	0.04
Subtotal Residential	$5,647,837,646	78.29%	11,188	93.91%
Vacant Parcels	$24,228,390	0.34%	101	0.85%
Total	$7,214,256,846	100.00%	11,914	100.00%

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

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Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2018-19, including the median and average assessed value per single family parcel.

SAN BRUNO PARK SCHOOL DISTRICT
Per Parcel 2018-19 Assessed Valuation of Single Family Homes

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	8,565	$4,166,106,484	$486,411	$441,638

2018-19 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	11	0.128%	0.128%	$ 381,811	0.009%	0.009%
$50,000 - $99,999	716	8.360	8.488	59,614,714	1.431	1.440
$100,000 - $149,999	972	11.349	19.837	115,329,524	2.768	4.208
$150,000 - $199,999	373	4.355	24.191	64,979,527	1.560	5.768
$200,000 - $249,999	400	4.670	28.862	89,675,733	2.153	7.921
$250,000 - $299,999	427	4.985	33.847	117,270,235	2.815	10.735
$300,000 - $349,999	477	5.569	39.416	155,320,799	3.728	14.464
$350,000 - $399,999	530	6.188	45.604	198,545,197	4.766	19.229
$400,000 - $449,999	478	5.581	51.185	203,612,730	4.887	24.117
$450,000 - $499,999	446	5.207	56.392	211,918,660	5.087	29.204
$500,000 - $549,999	381	4.448	60.841	200,275,803	4.807	34.011
$550,000 - $599,999	386	4.507	65.347	221,800,662	5.324	39.335
$600,000 - $649,999	373	4.355	69.702	232,365,378	5.602	44.936
$650,000 - $699,999	385	4.495	74.197	259,653,410	6.233	51.169
$700,000 - $749,999	326	3.806	78.004	236,252,895	5.671	56.840
$750,000 - $799,999	287	3.351	81.354	222,404,875	5.338	62.178
$800,000 - $849,999	289	3.374	84.729	238,163,699	5.717	67.895
$850,000 - $899,999	286	3.339	88.068	249,978,422	6.000	73.895
$900,000 - $949,999	268	3.129	91.197	247,813,484	5.948	79.843
$950,000 - $999,999	197	2.300	93.497	191,535,241	4.597	84.441
$1,000,000 and greater	557	6.503	100.000	648,213,685	15.559	100.000
Total	8,565	100.000%		$4,166,106,484	100.000%	

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

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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2018-19.

SAN BRUNO PARK SCHOOL DISTRICT
2018-19 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total [1]
1.	Google Inc.	Office Building	$ 411,475,337	5.70%
2.	Crystal Springs Associates	Apartments	178,881,497	2.48
3.	Shops at Tanforan Associates LLC	Shopping Center	159,383,943	2.21
4.	Walmart Stores Inc.	Office Building	130,361,803	1.81
5.	Seritage SRC Financial LLC	Shopping Center	101,959,200	1.41
6.	ASN Tanforan Crossing I LLC	Apartments	94,615,708	1.31
7.	San Bruno III Financing LP	Apartments	93,480,024	1.30
8.	Gap Inc.	Office Building	65,766,447	0.91
9.	Behringer Harvard Acappella LP	Apartments	60,931,691	0.84
10.	Aimco San Bruno Apartments Partners LP	Apartments	59,397,577	0.82
11.	ASN Tanforan Crossing II LLC	Apartments	57,623,136	0.80
12.	Welch Family Partnership	Commercial Properties	56,818,769	0.79
13.	San Bruno Towne Center Partnership	Shopping Center	46,142,581	0.64
14.	Bayhill Office Partners LLC	Office Building	42,840,000	0.59
15.	SCG Airport Trade Center LLC	Industrial	30,171,600	0.42
16.	Artichoke Enterprises Inc.	Casino/Card House	27,849,598	0.39
17.	FW CA Bay Hill Shopping Center	Shopping Center	27,567,451	0.38
18.	Tanforan Park Shopping Center	Shopping Center	27,195,923	0.38
19.	Lowes HIW Inc., Lessee	Shopping Center	26,898,174	0.37
20.	SF Police Credit Union	Office Building	26,821,376	0.37
			$1,726,181,835	23.93%

[1] 2018-19 local secured assessed valuation: $7,214,256,846.
Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2018-19 account for 23.93% of the secured assessed value in the District which is $7,214,256,846. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2018-19 was Google Inc., accounting for 5.70% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 2.48% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 10-001 located within the District for fiscal years 2014-15 through 2018-19.

SAN BRUNO PARK SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 10-001)[1]

	2014-15	2015-16	2016-17	2017-18	2018-19
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
San Bruno Park School District	.03180	.02130	.02480	.02320	.02190
San Mateo Union High School District Bond	.04750	.04660	.04150	.04330	.04070
San Mateo Community College District Bond	.01900	.02500	.02470	.02350	.01750
Total	$1.09830	$1.09290	$1.09100	$1.09000	$1.08010

[1] 2018-19 assessed valuation of TRA 10-001 is $3,636,068,984 which is 45% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

The Teeter Plan

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. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

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

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

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

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

Tax Levies and Delinquencies

The table below summarizes the annual secured tax levy and delinquencies within the District as of June 30 for fiscal years 2012-13 through 2017-18. The County has adopted the Teeter Plan. As a result, the District's receipt of property taxes on the secured roll is not subject to delinquencies so long as the Teeter Plan remains in effect.

SAN BRUNO PARK SCHOOL DISTRICT
Secured Tax Charges

Fiscal Year	Secured Tax Charge(1)	Amt. Del. June 30(2)	% Del. June 30
2012-13	$1,544,467.67	$13,086.46	0.85%
2013-14	1,574,250.89	11,765.31	0.75
2014-15	1,715,486.42	11,803.44	0.69
2015-16	1,220,464.60	$6,853.01	0.56
2016-17	1,546,353.18	$6,899.14	0.45
2017-18	1,535,038.20	$6,265.79	0.41

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

Direct and Overlapping Debt

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

The following table is a statement of the District's direct and estimated overlapping bonded debt as of January 1, 2019:

SAN BRUNO PARK SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2018-19 Assessed Valuation: $8,080,020,233

	% Applicable	Debt 1/1/19	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Mateo Community College District	3.616%	$30,295,936	
San Mateo Union High School District	10.370	52,998,383	
San Bruno Park School District	**100.000**	**7,142,299**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$90,436,618	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Mateo County General Fund Obligations	3.616%	$20,535,819	
San Mateo County Board of Education Certificates of Participation	3.616	316,219	
San Bruno Park School District General Fund Obligations	**100.000**	**3,150,000**	
City of San Bruno Pension Obligation Bonds	93.590	8,254,638	
San Mateo County Flood Control District Certificates of Participation	5.593	940,463	
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		$33,197,139	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$5,345,202	
COMBINED TOTAL DEBT		$128,978,959	(2)

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($7,142,299).. 0.09%
Total Direct and Overlapping Tax and Assessment Debt 1.12%
Combined Total Debt... 1.60%

Ratio to Redevelopment Incremental Valuation ($1,393,125,999:
Total Overlapping Tax Increment Debt 0.38%

(1) Excludes the Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics Inc.

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") is being implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system described below.

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

Under the LCFF, State allocations will be are provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF occurred over a period of several fiscal years and was complete in fiscal year 2018-19. Beginning in fiscal year 2013-14, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

For fiscal year 2018-19, the base rates per unit of A.D.A. for each grade span are as follows: (i) $8,235 for grades K-3; (ii) $7,571 for grades 4-6; (iii) $7,796 for grades 7-8; and (iv) $9,269 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been 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 cost-of-living-adjustments will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

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

The following table sets forth the historical ADA and enrollment for fiscal years 2009-10 through 2017-18.

SAN BRUNO PARK SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2009-10 through 2017-18

Fiscal Year	ADA	Enrollment
2009-10	2,523	2,620
2010-11	2,497	2,599
2011-12	2,542	2,626
2012-13	2,605	2,686
2013-14	2,681	2,785
2014-15	2,655	2,796
2015-16	2,623	2,727
2016-17	2,537	2,669
2017-18	2,517	2,645

Source: The District.

The following table sets forth the ADA, enrollment and the percentage of EL/LI enrollment for fiscal years 2017-18, budgeted for 2018-09 and projections for fiscal years 2019-20 and 2020-21.

SAN BRUNO PARK SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2017-18 through 2020-21

	ADA				Enrollment	
Fiscal Year	K-3	4-6	7-8	Total ADA	Total Enrollment	% of EL/LI Enrollment
2017-18	1,196	810	511	2,517	2,645	50.3%
2018-19[1]	1,105	778	514	2,397	2,486	49.1
2019-20[2]	1,106	778	514	2,398	2,486	49.7
2020-21[2]	1,107	778	514	2,399	2,486	50.6

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

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

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

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District currently qualifies as basic aid and expects to remain a basic aid district for fiscal year 2019-20.

As a result of increases in assessed valuation in fiscal year 2017-18, the District shifted from being funded under the LCFF to a basic aid district. Declining enrollment has also been a factor in causing the District's share of property tax collections to exceed its LCFF funding entitlement. So long as enrollment remains steady or declines and assessed valuations continue to increase, the District expects to remain in basic aid status.

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

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

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

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

Revenue Sources

The District categorizes its general fund revenues into four sources:

SAN BRUNO PARK SCHOOL DISTRICT
Revenue Sources
(Percentage of Total District General Fund Revenues)

Revenue Source	2015-16	2016-17	2017-18	2018-19(1)
LCFF sources	77.2%	78.9%	82.0%	80.7%
Federal revenues	3.9	4.4	3.7	3.7
Other State revenues	11.5	8.9	7.9	8.4
Other local revenues	7.4	7.8	6.3	7.2

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

Each of these revenue sources is briefly described below. For more information regarding the LCFF, see "-State Funding of Education" above.

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

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

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

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

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

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are $3.29 per square foot for residential housing and $0.53 per square foot for commercial or industrial development. The fees are split with San Mateo High School District. The following table sets forth developer fee collections by the District for the last five fiscal years and the projected developer fee collections for the current fiscal year.

SAN BRUNO PARK SCHOOL DISTRICT
Developer Fee Collections

Fiscal Year	Developer Fees Collected
2013-14	$72,743
2014-15	23,990
2015-16	51,865
2016-17	166,362
2017-18	45,612
2018-19(1)	40,000

(1) Projected
Source: The District.

Budget Procedures

State Budgeting Requirements. The District is required by provisions of the State 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. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. 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.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, 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, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by 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. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For 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 Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

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The table below shows the District's interim report certifications for the last five fiscal years.

SAN BRUNO PARK SCHOOL DISTRICT
Interim Report Certification

Fiscal Year	Certification
2014-15 First Interim Report	Qualified
2014-15 Second Interim Report	Qualified
2015-16 First Interim Report	Positive
2015-16 Second Interim Report	Positive
2016-17 First Interim Report	Negative
2016-17 Second Interim Report	Negative
2017-18 First Interim Report	Positive
2017-18 Second Interim Report	Positive
2017-18 Third Interim Report	Positive
2018-19 First Interim Report	Positive

Source: The District.

The District filed both its First Interim Report and Second Interim Report for fiscal year 2016-17 with negative certifications within the meaning of Education Code section 42131. In December, 2016, the District created a budget advisory committee (the "Budget Committee") to assist District administration in achieving fiscal solvency. In February, 2017, the Board approved the Budget Committee's fiscal solvency plan which included approximately $1 million in savings during fiscal year 2017-18 through expense reductions, returning special education services for District students to the District, as well as almost $1 million in savings during 2018-19. Additionally, the County assigned a fiscal advisor to assist the District reach fiscal solvency. As a result of increases in assessed valuations and corresponding increases in property tax collections, the District became a basic aid district as of the fiscal year 2017-18 First Interim Report which was certified positive.

In February, 2018, the Board of Education approved further fiscal solvency actions including consolidating two school sites. El Crystal School was closed at the end of the 2017-18 school year and Rollingwood Elementary School was recommended to be closed in 2019-20.

General Fund Budget. The District's general fund adopted budgets for fiscal years 2014-15 through 2018-19, audited actuals for the fiscal years 2014-15 through 2017-18 and projected financial results for fiscal year 2018-19 based upon the first interim report are set forth on the following page.

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SAN BRUNO PARK SCHOOL DISTRICT
GENERAL FUND BUDGETING

	Adopted Budget 2014-15[1]	Audited Actuals 2014-15[1]	Adopted Budget 2015-16[1]	Audited Actuals 2015-16[1]	Adopted Budget 2016-17[1]	Audited Actuals 2016-17[1]	Adopted Budget 2017-18[1]	Audited Actuals 2017-18[1]	Adopted Budget 2018-19[2]	First Interim Report 2018-19[2]
REVENUES										
LCFF Sources	$ 18,772,611	$ 19,789,608	$ 21,336,423	$ 21,232,729	$ 22,191,238	$ 22,080,998	$22,377,920	$24,343,597	$23,817,970	$24,418,420
Federal	1,067,981	981,385	1,068,787	1,084,343	1,009,195	1,218,285	1,108,418	1,100,055	1,128,792	1,113,997
Other State	870,639	1,024,324	2,381,173	3,169,612	1,466,790	2,513,091	2,201,517	2,353,440	2,252,247	2,525,053
Other Local	1,477,756	2,233,590	1,839,774	2,026,581	1,786,623	2,169,509	1,805,581	1,867,458	1,859,214	2,189,026
Total Revenues	22,188,987	24,028,907	26,626,157	27,513,265	26,453,846	27,981,883	27,493,436	29,664,550	29,058,223	30,246,496
EXPENDITURES										
Current										
Certificated Salaries	9,744,941	9,599,236	10,279,176	9,902,844	10,038,132	10,530,172	10,189,869	10,726,928	10,396,839	10,918,356
Classified Salaries	2,974,931	2,972,910	3,273,015	3,348,170	3,347,825	4,130,682	4,360,832	4,042,698	4,099,885	4,128,029
Employee Benefits	3,914,431	4,271,822	4,351,693	5,499,103	4,954,712	5,880,842	6,520,420	6,293,109	6,464,164	6,473,032
Books and Supplies	516,137	667,647	780,417	861,948	899,822	1,326,385	1,236,695	934,250	1,136,666	1,193,935
Services, Other Operating Expenses	4,224,614	5,020,757	5,045,653	5,651,058	4,561,358	4,665,109	4,579,080	5,627,043	5,790,521	7,015,941
Other Outgo	2,783,461	2,678,501	2,706,918	2,163,639	1,900,147	2,060,701	1,108,150	1,181,486	1,237,835	1,046,668
Capital outlay	18,000	9,724	244,152	97,906	20,000	65,568	--	527,335	125,000	125,000
Total Expenditures	24,176,515	25,220,597	26,681,024	27,524,668	25,721,996	28,659,459	27,995,046	29,332,849	29,250,910	30,900,961
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(1,987,528)	(1,191,690)	(54,867)	(11,403)	731,850	(677,576)	(501,610)	331,701	(192,687)	(654,465)
OTHER FINANCING SOURCES (USES)										
Transfers in	--	--	--	--	--		418,000	-	418,000	418,000
Transfers out	--	--	--	(409,221)	--	78,119	(142,500)	216,650	(100,000)	(100,000)
Total Financing Sources (Uses)	--	--	--	(409,221)	--	78,119	275,500	216,650	318,000	318,000
NET CHANGE IN FUND BALANCES	$ (1,987,528)	$ (1,191,690)	$ (54,867)	$ (420,624)	$ 731,850	$ (599,457)	$ (226,110)	$ 548,351	$ 125,313	$ (336,465)
Fund Balance, July 1[3]		5,707,255		4,515,565		4,094,941		3,495,484		2,650,257
Fund Balance, June 30[3]		$ 4,515,565		$ 4,094,941		$3,495,484		$4,043,835		$2,313,792

[1] From the audited financial statements of the District for such fiscal year.
[2] From 2018-19 First Interim Report.
[3] Fund balance is not included in the statement of the adopted budgets in the audited financial statements as the fund balances at the time of budget adoption do not tie to the audited financial data.
Source: The District.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2017, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 500 Acacia Avenue, San Bruno, California 94066. See APPENDIX B hereto for the 2017-18 Audited Financial Statements of the District.

The following table reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2013-14 to fiscal year 2017-18:

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SAN BRUNO PARK SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2013-14 through 2017-18

	2013-14 Audit	2014-15 Audit	2015-16 Audit	2016-17 Audit	2017-18 Audit
REVENUES					
LCFF Sources	$ 17,951,847	$ 19,789,608	$ 21,232,729	$ 22,080,998	$24,343,597
Federal Revenues	1,077,803	981,385	1,084,343	1,218,285	1,100,055
Other State Revenues	1,446,829	1,024,324	3,169,612	2,513,091	2,353,440
Other Local Revenues	2,106,077	2,233,590	2,026,581	2,169,509	1,867,458
Total Revenues	22,582,556	24,028,907	27,513,265	27,981,883	29,664,550
EXPENDITURES					
Instruction	14,223,234	14,902,269	16,022,566	16,839,938	17,398,201
Instruction related services:					
Supervision of instruction	235,431	398,794	627,823	867,801	911,744
Instructional library, media and technology	475,196	323,013	440,797	419,623	367,617
School site administration	1,694,986	1,614,048	2,258,477	2,029,535	1,884,784
Pupil services:					
Home-to-school transportation	563,448	617,391	534,931	410,236	332,359
Food services	--	--	--	980	--
All other pupil services	860,358	719,167	988,508	1,718,074	1,933,042
General administration:					
Data processing	--	--	--	151,262	177,552
All other administration	1,253,780	1,388,735	1,553,952	1,588,811	1,853,901
Plant services	1,973,127	2,011,015	2,517,191	2,291,560	3,003,635
Facility acquisition and construction	--	137,065	--	--	--
Ancillary services	210,878	210,171	203,884	207,282	224,442
Payments to other agencies	2,129,031	2,197,982	1,635,119	1,529,953	660,441
Debt Service					
Principal	295,000	305,000	310,000	315,000	320,000
Interest and other	277,983	245,543	304,738	289,404	265,131
Total Expenditures	24,192,452	25,220,597	27,524,668	28,659,459	29,332,849
Excess (Deficiency) of Revenues Over Expenditures	(1,609,896)	(1,191,690)	(11,403)	(677,576)	331,701
OTHER FINANCING SOURCES (USES):					
Transfers In	--	--	--	78,119	216,650
Transfers Out	(29,740)	--	(409,221)	--	--
Net Financing Sources	(29,740)	--	(409,221)	78,119	216,650
NET CHANGE IN FUND BALANCES	(1,639,636)	(1,191,690)	(420,624)	(599,457)	548,351
Fund Balances at Beginning of Year	7,346,891	5,707,255	4,515,565	4,094,941	3,495,484
Fund Balances at End of Year	$ 5,707,255	$ 4,515,565	$ 4,094,941	$ 3,495,484	$4,043,835

Source: The District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Budget Measures

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

2018-19 State Budget. Governor Edmund G. Brown signed the fiscal year 2018-19 budget for the State (the "2018-19 State Budget") on June 27, 2018, forecasting revenues and transfers for 2018-19 of $141.8 billion and expenditures of $138 billion. For 2017-18, the 2018-19 State Budget included revenues and transfers of $135.5 billion, an increase of almost $10 billion over the 2017-18 State Budget, and expenditures of $127 billion. The 2018-19 State Budget reflected continued economic expansion and increasing revenues, including record all-time capital gains tax revenues. The Rainy Day Fund was fully funded to $13.9 billion and an additional $200 million was deposited to the newly created Safety Net Reserve Fund. In recognition that the then-current economic prosperity couldn't continue indefinitely, the 2018-19 State Budget made one-time spending commitments rather than on-going programmatic expenditures; primarily for infrastructure, homelessness and mental health. A new funding formula for higher education was adopted that provided increased funding for community college districts that serve low-income students and where students demonstrate certain success. Additionally, the California Online College was created in order to facilitate access to higher education for working adults.

With respect to K-12 education, the 2018-19 State Budget included total funding of $97.2 billion ($56.1 billion State general fund and $41.1 billion from other funds) with per pupil funding from all sources of $16,352. LCFF funding was increased by $3.7 billion to reach full funding. Additionally, the 2018-19 State Budget provided $1.1 billion in one-time discretionary funds to school districts, charter schools and county offices of education. The 2018-19 State Budget also enacted a new Proposition 98 certification process to ensure annual Proposition 98 certifications.

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

- Career Technical Education—$164 million ongoing Proposition 98 funds to establish a K-12 specific program within the Strong Workforce Program and $150 million ongoing Proposition 98 funds to make permanent the Career Technical Education Inventive Grant Program.

- Low-Performing Student Block Grant—$300 million Proposition 98 funds for local education agencies with students performing at the lowest levels on academic assessments and that do not generate supplemental LCFF funds or special education resources.

- Early Education Expansion Program—$167.2 million Proposition 98 funds for inclusive early education and care for children up to the age of five in low-income and low access to care areas.

- Teacher Residency Grant Program—$75 million Proposition 98 funds to support one-year intensive, mentored, clinical teacher preparation programs with $50 million for preparing and retaining special education teachers and $25 million for bilingual and STEM teachers.

- Local Solutions Grant Program—$50 million Proposition 98 funds to provide one-time grants to local educational agencies for locally identified solutions for special education teachers.

- Classified School Employee Summer Assistance Program—$50 million Proposition 98 funds to provide state matching funds to classified school employees who defer paychecks to the summer recess period.

- Classified School Employee Professional Development Block Grant Program—$50 million Proposition 98 funds for professional development for classified staff with a priority on the implementation of school safety plans.

- English Language Proficiency Assessment for California—$27.1 million Proposition 98 funds to convert the paper-based ELPAC to a computer-based assessment and to develop an ELPAC assessment specific to students with exceptional needs.

- Charter School Facility Grant Program—$21.1 million one-time and $24.8 million ongoing Proposition 98 funds to reflect increases in programmatic costs.

- Kids Code After-School Program—$15 million Proposition 98 funds to increase opportunities for students in after-school programs to access computer coding education.

- Fire-Related Support—$4.4 million Proposition 98 funds in property tax relief to school districts impacted by the fires in Northern and Southern California in 2017, $25 million Proposition 98 funds through the LCFF and a hold-harmless provision for ADA for three years.

- California-Grown Fresh School Meals Grants—$1 million one-time Proposition 98 funds to encourage the purchase of California-grown food by schools and expand the number of freshly prepared school meals offered that use California-grown ingredients.

- Fiscal Crisis and Management Assistance Team—$972,000 Proposition 98 funds to allow FCMAT to coordinate with county offices of education to offer more proactive and preventive services to fiscally distressed school districts, specifically those with a qualified interim budget status.

Proposed 2019-20 State Budget. On January 10, 2019, Governor Gavin Newsom announced his proposed 2019-20 budget for the State (the "2019-20 Proposed State Budget") with increased revenues and expenditures for 2018-19 over the 2018-19 State Budget. Under the 2019-20 Proposed State Budget, the State will receive revenues and transfers totaling $149.3 billion with expenditures reaching $144 billion in 2018-19. 2019-20 revenues and transfers are predicted to decrease to $147.8 billion with expenses remaining steady at $144 billion. The Proposed 2019-20 State Budget continues prior years' efforts to pay down debts and increase savings. $1.8 billion would be transferred to the Rainy Day Fund in 2019-20 with an additional $4.1 billion transferred in future years to bring the Rainy Day Fund balance to $19.4 billion by 2022-23. The Proposed 2019-20 State Budget commits $4 billion to pay off loans from special funds and transportation accounts, eliminate the deferrals of the June payroll and the fourth quarter PERS payment. A $3 billion supplemental contribution to pay down the State's share of unfunded PERS liabilities and $1.1 billion towards its share of STRS liabilities are also included in the 2019-20 Proposed State Budget.

The 2019-20 Proposed State Budget allocates $80.7 billion in Proposition 98 funds for K-12 schools and community colleges as well as $686 million in settle-up payments from prior years. Total per-pupil funding would reach $16,857 in 2018-19 and $17,160 in 2019-20. LCFF funding reaches $63 billion under the 2019-20 Proposed Budget.

In addition, the 2019-20 Proposed State Budget makes a $3 billion one-time general fund payment to STRS to reduce school districts' pension liabilities and decrease required future contributions. Current assumptions provide that the school district contribution rate to STRS would decrease from 18.13% to 17.1% in 2019-20 and from 19.1% to 18.1% in 2020-21 as a result of such one-time payment.

Significant provisions of the 2019-20 Proposed State Budget pertaining to K-12 education are as follows:

- Full Day Kindergarten— $750 million one-time general funds to improve access to full-day kindergarten.
- Full-day Preschool— $125 million to increase access to subsidized full-day, full-year State preschool for low income four-year olds.
- ADA—A decrease of $388 million Proposition 98 funds in 2018-19 for school districts resulting from a decrease in projected ADA from the 2018-19 State Budget, and a decrease of $187 million Proposition 98 general fund in 2019-20 for school districts resulting from a further projected decline in ADA for 2019-20.
- Local Property Tax Adjustments—A decrease of $283 million Proposition 98 funds for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of $1.25 billion Prop 98 funds for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes.
- COLA—$187 million Proposition 98 funds to support a 3.46% COLA for categorical programs, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- CalWORKs Stages 2 and 3 Child Care—A net increase of $119.4 million non-Proposition 98 general fund in 2019-20 to reflect increases in the number of CalWORKs child care cases.
- Full-Year Implementation of Prior Year State Preschool Slots—$26.8 million Proposition 98 funds to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through the 2018-19 fiscal year.
- County Offices of Education—$9 million Proposition 98 funds to reflect a 3.46-percent COLA adjustment and average daily attendance changes applicable to the LCFF.
- Instructional Quality Commission—$279,000 General Fund on a one-time basis for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

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

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

Recent California Drought Conditions and Wildfires. Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced the end of the State-wide drought in all but Fresno, Kings, Tulare and Tuolumne Counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. Additionally, in fall 2017 and summer and fall 2018, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District was not impacted by the wildfires.

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

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

Legislation Implementing Article XIIIA

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

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

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.

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), 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 shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article 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. However, if a school district's revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

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

Article XIIIC and Article XIIID of the California Constitution

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

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

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

Proposition 98

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

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

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

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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 is 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 1990 levels (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 capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. 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.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its property tax apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases were 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 were and will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district 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.

Proposition 55

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

Proposition 51

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) was a voter initiative that was approved by voters in the State on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities.

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

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

The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

Proposition 2

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

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

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

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

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the State's Public School System Stabilization Account ("PSSSA"). In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES—Proposition 98"), a school district's adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

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

The District is required to maintain a reserve for economic uncertainties at least equal to 4% of general fund expenditures and other financing uses. On June 30, 2018, the District had unassigned available reserves of $2,330,786. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

SAN BRUNO PARK SCHOOL DISTRICT

Introduction

The District, established as a school district in 1907, is comprised of approximately 15 square miles in San Mateo County (the "County"), about 12 miles south of the City of San Francisco, adjacent to and including a portion of San Francisco International Airport. The District serves the residents in all but a small portion of the City of San Bruno as well as adjacent unincorporated areas of the County. The District provides education services in five elementary schools, one middle school and a primary center serving kindergarten and first grade. The average daily attendance ("ADA") for the District for fiscal year 2018-19 is 2,397 students and the District has a 2018-19 assessed valuation of $8,080,020,233. The audited financial statements for the District for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX B.

Board of Education

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

SAN BRUNO PARK SCHOOL DISTRICT
Board of Education

Name	Office	Term Expires December
Kevin J. Martinez	President	2020
Andrew T. Mason	Vice President	2022
Henry Sanchez	Clerk	2022
Jennifer M. Blanco	Member	2020
Teri L. Chavez.	Member	2022

Source: The District.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: San Bruno Park School District, 500 Acacia Avenue, San Bruno, California 94066-6322, Attention: Assistant Superintendent, Business Services. The District may charge a small fee for copying, mailing and handling.

Key Personnel

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

Name	Title
Stella M. Kemp, Ed.D.	Superintendent
Wendy Richard	Assistant Superintendent, Business Services
Valerie Rogers, Ph.D.	Assistant Superintendent, Educational Services

Stella M. Kemp, Ed.D. – Superintendent. Dr. Kemp has been the Superintendent of the District since August, 2017. Prior to joining the District, Dr. Kemp served as the Assistant Superintendent of Educational Services at the Franklin-McKinley School District in San Jose. She also has more than two decades of experience working as a teacher and administrator in Texas, California and Germany. She taught as an adjunct instructor at Chapman University. Dr. Kemp received her Bachelor of Science from the University of Texas, Austin and her Masters of Education from the Texas Woman's University. She received her Doctor of Education from the University of North Texas.

Wendy Richard – Associate Superintendent, Business Services. Ms. Richard took on the role of Assistant Superintendent, Business Services, in August 2018. Prior to that, she served for 1.5 years as Interim Associate Superintendent Business Services for the District. She has previously worked as Director of Fiscal Services for Antioch Unified School District, Chief Business Official for Millbrae Elementary School District and Chief Business Official for Byron Union Elementary School District. She has also worked as a Business Advisor in the Alameda, Contra Costa, and San Mateo County Offices of Education. Ms. Richard is a graduate of California University, Hayward-East Bay with a degree in Business Administration and is also graduate of the FCMAT/CASBO CBO Mentor Project.

Employees and Labor Relations

The District employs approximately 124 full-time equivalent certificated academic professionals as well as approximately 103 full-time equivalent classified employees.

The certificated employees of the District have assigned the San Bruno Education Association ("SBEA") as their exclusive bargaining agent. The contract among the District and SBEA expires on June 30, 2021.

The classified employees have assigned California School Employees Association and its Chapter 139 ("CSEA") as their exclusive bargaining agent. The contract among the District and CSEA expires on June 30, 2020.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 12.58% of eligible salary expenditures, while participants contribute 8% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 6.30% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the three year period from 2014-15 through 2017-18. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

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

SCHOOL DISTRICT CONTRIBUTION RATES
State Teachers' Retirement Fund

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

The District contributed $846,725 to STRS for fiscal year 2014-15, $1,051,307 for fiscal year 2015-16, $1,307,274 for fiscal year 2016-17 and $1,513,195 for fiscal year 2017-18. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of $2,613,005 for fiscal year 2018-19. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is

15.531% of eligible salary expenditures for fiscal year 2017-18, while participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries and participants enrolled in PERS subsequent to January 1, 2013 contribute at an actuarially determined rate which is currently set at 6.59% of their respective salaries.

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

The District contributed $394,732 to PERS for fiscal year 2014-15, $450,249 for fiscal year 2015-16, $638,644 for fiscal year 2016-17 and $724,600 for fiscal year 2017-18, which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution of $673,431 for fiscal year 2018-19.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2017.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2017
(Dollar Amounts in Millions) [(1)]

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$84,416	$60,865	($23,551)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	286,950	197,718	(107,261)

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

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See "—California Public Employees' Pension Reform Act of 2013" below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2018, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	$17,571,000
PERS	8,656,219
Total	$26,227,219

Source: The District.

For further information about the District's contributions to PERS and STRS, see Note 8 and Note 9, respectively, in the District's audited financial statements for fiscal year ended June 30, 2018 attached hereto as Appendix B.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which the District implemented in fiscal year 2017-18.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units. On July 1, 2018, 123 inactive employees were receiving Health & Welfare Benefits with 217 active employees earning service credit towards eligibility.

The District makes contributions based on an actuarially determined rate as approved by the Board. Total contributions for Health & Welfare Benefits during fiscal year 2017-18 were $294,305. The actuarially determined contribution for fiscal year 2017-18 was $850,009. The District's contributions were 1.97% of covered payroll of $14,904,958 for fiscal year 2017-18. Employees are not required to contribute to the plan.

The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2018.

Service Cost	$554,802
Interest	312,679
Changes of benefit terms	--
Differences between expected and actual	--
Changes of assumptions	--
Benefit payments	(294,305)
Net Change in Total OPEB Liability	573,176
Total OPEB Liability - beginning	7,148,980
Total OPEB Liability - ending	$7,722,156

Source: The District.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters.

The District is a member of one joint powers authority, San Mateo County Schools Insurance Group ("SMCSIG"), which arranges for and provides property, liability, worker's compensation and medical and dental insurance for its member school districts. The relationship between the District and SMCSIG is such that the joint powers authority is not a component unit of the District for financial reporting purposes.

District Debt Structure

Long-Term Debt. A schedule of the District's changes in long-term debt for the year ended June 30, 2018 is shown below:

SAN BRUNO PARK SCHOOL DISTRICT
Long-Term Debt

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General obligation bonds	$22,964,013	$1,320,509	$3,138,416	$21,146,106	$2,811,238
Lease Revenue Bonds	3,795,000	--	320,000	3,475,000	310,000
Net Pension Liabilities	21,834,272	15,125,373	10,732,416	26,227,229	--
Annual net OPEB obligations	1,481,866	2,767,710	294,305	3,955,271	--
Compensated absences	106,261	--	21,421	84,840	--
Total	$50,181,412	$19,213,592	$14,506,558	$54,888,446	$3,121,238

Source: The District.

General Obligation Bonds

On April 14, 1998, the District received authorization to issue $30,000,000 principal amount of general obligations bonds (the "1998 Authorization"). Pursuant to the 1998 Authorization, the District issued its General Obligation Bonds, Election of 1998, Series 1998 (the "1998 Series A Bonds"), its General Obligation Bonds, Election of 1998, Series B (the "1998 Series B Bonds") and its General Obligation Bonds, Election of 1998, Series C (the "1998 Series C Bonds"). The District also issued its

2000 General Obligation Refunding Bonds to refund a portion of the Series A Bonds.   No further general obligation bonds remain for issuance under the 1998 Authorization except for possible refunding bonds.

On November 6, 2018, the District received authorization to issue $79,000,0000 aggregate principal amount of general obligation bonds (the "Authorization"). The Bonds are the first series of bonds to be issued pursuant to the Authorization, subsequent to which $54,000,000 principal amount of general obligation bonds will remain for issuance.

Lease Revenue Bonds

In July, 2011, the San Bruno Park School Facilities Financing Authority issued its Lease Revenue Bonds, Series 2011 (the "Lease Revenue Bonds") which were designated as "New Clean Renewable Energy Bonds" causing the District to be eligible for a subsidy payment from the United Stated Treasury which offsets a portion of the interest due on the Lease Revenue Bonds. The Lease Revenue Bonds have a final maturity date of July 15, 2027 and, as of June 30, 2018, were outstanding in the principal amount of $3,475,000.

Short-Term Debt

As of June 30, 2018, the District did not have any short-term debt outstanding. The District does not expect to issue any tax and revenue anticipation notes in fiscal year 2018-19.

SAN MATEO COUNTY POOLED INVESTMENT FUND

The following information concerning the San Mateo County Pooled Investment Fund has been provided by the County Treasurer and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

Under California law, the District is required to pay all monies received from any source into the San Mateo County Treasury to be held on behalf of the District. The County Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Pooled Investment Fund are made by the County Treasurer and her deputies in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, *et seq*., which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the County Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The County Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant.

SAN MATEO COUNTY
POOLED INVESTMENT FUND
PORTFOLIO EARNINGS FOR MONTH ENDING DECEMBER, 2018

Fixed Income Securities Maturing longer than 1 year	Par Value	Gross Earnings
U.S. Treasury Notes	$550,000,000.00	$657,948.98
U.S. Instrumentalities	80,000,000.00	115,699.33
Federal Agencies	372,500,00.00	614,134.66
Corporate Notes	52,183,000.00	98,953.19
Certificates of Deposit	141,478,000.00	264,190.70
Floating Rate Securities	24,000,000.00	467,012.87
	1,400,161,000.00	2,217,939.72
Short Term Securities Maturing less than 1 year		
U.S. Treasury Notes	$313,000,000.00	$583,334.18
U.S. Instrumentalities	85,500,000.00	143,682.31
Federal Agencies	1,444,682,000.00	2,526,563.57
Corporate Notes	128,500,000.00	200,320.85
Floating Rate Securities	94,700,000.00	213,496.01
LAIF	65,000,000.00	110,410.96
Commercial Paper	1,116,750,000.00	2,232,172.13
Certificate of Deposit	323,000,000.00	676,841.10
U.S. Treasury Bills	615,500,000.00	1,148,855.39
Repurchase Agreements	197,750,000.00	52,733.33
	4,384,382,000.00	7,888,409.83
Total accrued interest	$5,784,543,000.00	$10,106,349.55
Realized Gain/Loss & Interest Received		
U.S. Treasury Notes		139,522.09
U.S. Instrumentalities		61,088.88
Federal Agencies		227,027.25
Corporate Notes		9,932.08
Floating Rate Securities		52,117.40
Commercial Paper		133,519.31
Certificate of Deposit		72,699.43
U.S. Treasury Bills		107,653.47
Repurchase Agreements		404,685.84
Total Realized Income		$1,208,245.75
Total Dollar Earnings		$11,314,595.31

Source: San Mateo County.

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current County Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described therein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 9 months following the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Within the last five years, the District failed to file in a timely manner its annual reports for fiscal years 2012-13, 2013-14, 2014-15 and 2016-17. The District also failed to timely file notice of certain enumerated events. The District has engaged Isom Advisors, a Division of Urban Futures, Inc. to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, a form of which is attached hereto as Exhibit A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is acting as counsel to the Underwriter. Bond Counsel and Disclosure Counsel and Underwriter's Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

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

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

California Senate Bill 222

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

Special Revenues

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

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

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

LEGALITY FOR INVESTMENT

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

RATING

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

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

UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter"), has agreed to purchase the Bonds at the purchase price of $26,540,948.60 (reflecting the principal amount of the Bonds plus an original issue premium in the amount of $1,622,198.60 less an Underwriter's discount of $81,250.00), at the rates and yields shown on the inside cover hereof.

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

NO LITIGATION

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

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the San Bruno Park School District, 500 Acacia Avenue, San Bruno, California 94066.

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

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

SAN BRUNO PARK SCHOOL DISTRICT

By: /s/ Stella M. Kemp, Ed.D.
Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Education
San Bruno Park School District
500 Acacia Avenue
San Bruno, California 94066

Re: $25,000,000 San Bruno Park School District (San Mateo County, California) General Obligation Bonds, 2016 Election, 2019 Series A

Ladies and Gentlemen:

We have acted as bond counsel for the San Bruno Park School District (San Mateo County, California) (the "District"), in connection with the issuance by the District of $25,000,000 aggregate principal amount of the District's General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Education of the District on December 12, 2018 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

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

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

1. The Bonds constitute valid and binding general obligations of the District, payable as to principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount except for certain personal property that is taxable at limited rates.

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

3. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and in reliance upon representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, when the Bonds are delivered to and paid for by the initial purchasers thereof, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof.

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

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, 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, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above. The foregoing opinions are not a guarantee of results.

Respectfully submitted,

Dannis Woliver Kelley

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APPENDIX B

SAN BRUNO PARK SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018

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SAN BRUNO PARK SCHOOL DISTRICT

COUNTY OF SAN MATEO
SAN BRUNO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

SAN BRUNO PARK SCHOOL DISTRICT
SAN MATEO COUNTY

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SAN BRUNO PARK SCHOOL DISTRICT
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FINANCIAL SECTION

Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Bruno Park School District
San Bruno, 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 San Bruno Park School District (the District), as of and for the year ended June 30, 2018, 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

District 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

Deficit Net Position

As of June 30, 2018, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension and OPEB liabilities and deferrals as reported in Note 8, Note 9, and Note 10. Our opinion is not modified with respect to this matter.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The District currently funds this obligation on a pay-as-you go basis and through contributions to a trust. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension plan contributions, schedule of proportionate share of net pension liability and schedule of OPEB contributions, and schedule of changes in net OPEB liability, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of average daily attendance, schedule of instructional time offered, schedule of financial trends and analysis, schedule of expenditures of federal awards, as required *by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards,* and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, and the reconciliation of the Annual Financial and Budget report to the audited financial statements are the responsibility of

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management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, and the reconciliation of the Annual Financial and Budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of the 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 the District's internal control over financial reporting and compliance.

C & A LLP

December 10, 2018
San Jose, California

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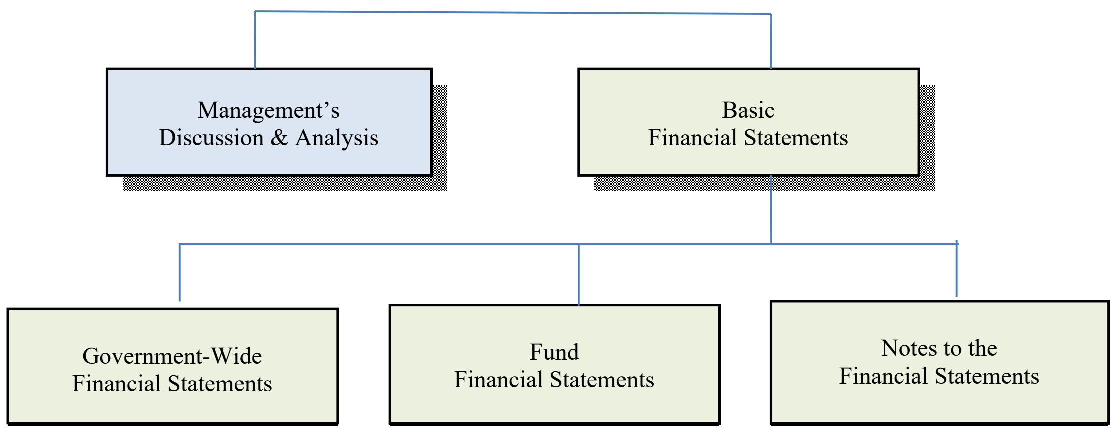
Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to presents discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2018 were as follows:

- Total net position decreased by $3,989,326 or 179% from June 30, 2017 to June 30, 2018.
- General revenues accounted for $29,975,385 which was 86% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services accounted for $5,000,568, or 14% of total revenues of $34,975,953.
- The District had $36,848,760 in expenses, which was directly supported by program specific revenues as noted in the second bullet.
- Total fund balances of governmental funds increased by $39,671 from June 30, 2017 to June 30, 2018.
- Among major funds, the General Fund had $29,664,550 in revenues and $29,332,849 in expenditures. The General Fund's fund balance decreased by $548,351 from June 30, 2017 to June 30, 2018.
- The District implemented GASB 75 during the year, which required the District to record the unfunded liability from other postemployment benefits offered to employees. The Net OPEB liability as of June 30, 2018 was $3,955,271. In prior years, the District was only required to record the

accumulated difference between its annual required contribution and the actual contributions made, which was $1,481,866 at June 30, 2017.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 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, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining 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 section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2017 - 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Special Reserve Fund for Capital Outlay Projects, and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The district is the trustee, or fiduciary, for student body funds. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district's fund and government-wide financial statements because the district cannot use these assets to finance its operations.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Total assets of governmental activities decreased by $1,202,674. Net capital assets decreased by $1,302,448 because of current year depreciation netted with current year additions. Unrestricted net position of the District, which does not have constraints from grantors, legal requirements, or legislation, decreased by $3,966,680.

Table 1 provides a summary of the District's net position as of June 30, 2018 as compared to June 30, 2017:

Table 1 - Summary of Net Position

	2018	2017	Increase (Decrease)	Percent
Assets				
Current & Other Assets	$ 12,737,482	$ 12,637,708	$ 99,774	0.8%
Capital Assets	30,715,328	32,017,776	(1,302,448)	-4.1%
Total Assets	$ 43,452,810	$ 44,655,484	$ (1,202,674)	-2.7%
Deferred Outflows of Resources	$ 8,629,258	$ 7,571,448	$ 1,057,810	14.0%
Liabilities				
Current and Other Liabilities	$ 1,510,676	$ 1,458,449	$ 52,227	3.6%
Long-Term Liabilities	54,888,446	50,181,412	4,707,034	9.4%
Total Liabilities	$ 56,399,122	$ 51,639,861	$ 4,759,261	9.2%
Deferred Inflows of Resources	$ 1,901,160	$ 2,815,959	$ (914,799)	-32.5%
Net Position				
Net Investment in Capital Assets	$ 6,094,222	$ 5,258,763	$ 835,459	15.9%
Restricted	4,061,974	4,920,079	(858,105)	-17.4%
Unrestricted	(16,374,410)	(12,407,730)	(3,966,680)	-32.0%
Total Net Position	$ (6,218,214)	$ (2,228,888)	$ (3,989,326)	-179.0%

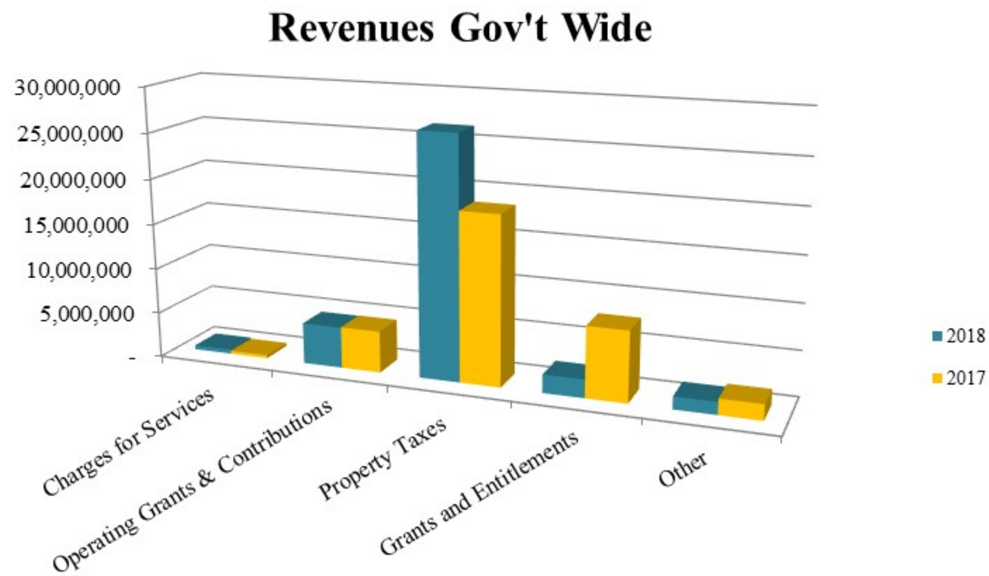
Table 2 shows the changes in net position from fiscal year 2016-17 to 2017-18:

Table 2 - Change in Net Position				
	2018	2017	Increase (Decrease)	Percent
Revenues				
Program Revenues:				
Charges for Services	$ 457,335	$ 336,948	$ 120,387	35.7%
Operating Grants and Contributions	4,543,233	4,578,391	(35,158)	-0.8%
General Revenues:				
Property Taxes	26,563,233	18,540,192	8,023,041	43.3%
Grants and Entitlements - Unrestricted	2,020,868	7,755,268	(5,734,400)	-73.9%
Other	1,391,284	1,736,506	(345,222)	-19.9%
Total Revenues	34,975,953	32,947,305	2,028,648	6.2%
Program Expenses				
Instruction	22,637,302	19,890,129	2,747,173	13.8%
Instruction-Related Services	3,919,557	3,956,213	(36,656)	-0.9%
Pupil Services	3,200,715	3,068,891	131,824	4.3%
General Administration	2,101,089	1,812,429	288,660	15.9%
Plant Services	3,020,866	2,526,474	494,392	19.6%
Ancillary Services	224,442	207,282	17,160	8.3%
Other Educational Programs	660,441	1,529,953	(869,512)	-56.8%
Interest and Fiscal Charges	1,084,348	1,610,195	(525,847)	-32.7%
Total Expenses	36,848,760	34,601,566	2,247,194	6.5%
Change in Net Position	(1,872,807)	(1,654,261)	(218,546)	-13.2%
Prior Period Adjustment - GASB 75	(2,116,519)	-	(2,116,519)	-100.0%
Change in Net Position with Adjustments	$ (3,989,326)	$ (1,654,261)	$ (2,335,065)	-141.2%

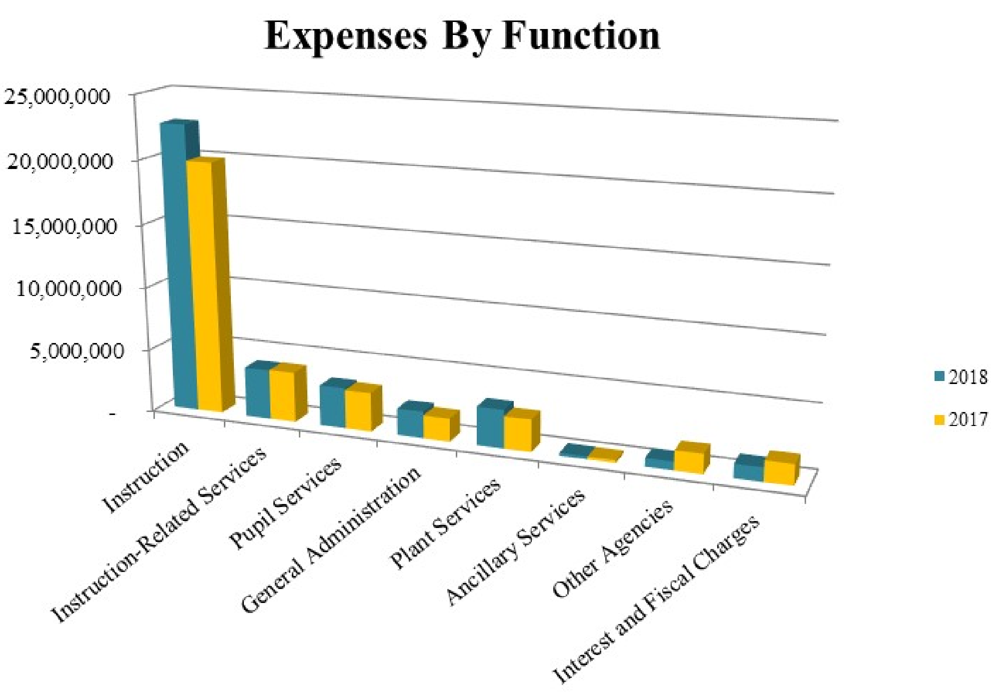
Property taxes comprised 56% of District revenues and direct instruction costs comprised 61% of District expenses for fiscal year 2017-18. These percentages are consistent with 2016-17.

Total revenues increased by 6.2% and total expenses increased by 6.5% for fiscal year 2017-18.

The following is a summary of government-wide revenues for the fiscal years ended June 30, 2017 and 2018:



The following is a summary of expenses by function for the fiscal years ended June 30, 2017 and 2018:



GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services

Function	2018	2017	Increase (Decrease)	Percent
Instruction	$ 20,027,864	$ 17,724,373	$ 2,303,491	13.0%
Instruction-Related Services	3,655,354	3,608,183	47,171	1.3%
Pupil Services	2,110,136	1,916,705	193,431	10.1%
General Administration	1,994,806	1,685,636	309,170	18.3%
Plant Services	2,872,298	2,160,828	711,470	32.9%
Other Educational Programs	103,386	980,307	(876,921)	-89.5%
Interest and Fiscal Charges	1,084,348	1,610,195	(525,847)	-32.7%
Total Net Cost of Services	$ 31,848,192	$ 29,686,227	$ 2,161,965	7.3%

Direct Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-Related Services include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services includes the operation and maintenance of plant activities, which involve keeping the school grounds, buildings, and equipment in an effective working condition.

Interest and Fiscal Charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

The dependence upon tax and local revenues is apparent, 87% of the District's activities are supported through taxes, grants and entitlements, and other general revenues. The community, as a whole, is the primary support for the District.

THE DISTRICT'S FUNDS

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Change in Fund Balances

Funds	2018	2017	Increase (Decrease)
General Fund	$ 4,043,835	$ 3,495,484	$ 548,351
Special Reserve Fund for Capital Outlay Projects	3,486,097	3,680,870	(194,773)
Bond Interest & Redemption Fund	2,874,610	3,163,355	(288,745)
Nonmajor Funds	907,793	932,955	(25,162)
Total Governmental Fund Balances	$ 11,312,335	$ 11,272,664	$ 39,671

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of the 2017-18 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of $692,146 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was $29,604,596. The original budgeted estimate was $27,911,436.

CAPITAL ASSETS

Table 5 shows June 30, 2018 balances as compared to June 30, 2017.

Table 5 - Summary of Capital Assets Net of Depreciation

Capital Asset	2018 Net Capital Asset	2017 Net Capital Asset	Percentage Change
Land	$ 598,612	$ 598,612	0.0%
Work-in-progress	-	105,028	-100.0%
Buildings and Improvements	16,278,708	20,725,390	-21.5%
Improvements of sites	13,041,868	10,387,074	25.6%
Furniture and Equipment	796,140	201,672	294.8%
Totals	$ 30,715,328	$ 32,017,776	-4.1%

LONG TERM DEBT

Table 6 summarizes the percent changes in Long-term Debt over the past two years.

Table 6 - Long-term Debt

Type of Debt	2018	2017	Percentage Change
General obligation bonds	$ 21,146,106	$ 22,964,013	-7.9%
Lease revenue bonds	3,475,000	3,795,000	-8.4%
Net Pension Obligations	26,227,229	21,834,272	20.1%
Net OPEB obligation	3,955,271	1,481,866	166.9%
Compensated absences	84,840	106,261	-20.2%
Total Debt	$ 54,888,446	$ 50,181,412	9.4%

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that will affect the school district's future.

The District had a decrease in enrollment and ADA for 2017-18 and is projecting decreases in enrollment in future years.

Other issues the District will face over the next years are one-time rather than ongoing money, higher costs arising from scheduled pension contribution rate increases and higher General Fund Contributions to offset funding shortfalls in Special Education and Child Nutrition Programs.

One of the largest factors facing San Bruno Park is the chance of flipping from Basic Aid to LCFF funding. The District flipped into Basic Aid at First Interim in 2017-18 and is projected to stay in that status for the next two years. Working to eliminate the deficit spending will be the most important factor for the District in the coming years.

The District passed a bond measure in November 2018, which will greatly improve the facilities. Monitoring the funds of the bond proceeds will be very important for the District and the community.

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 Chief Business Officer, San Bruno Park School District, 500 Acacia Avenue, San Bruno, CA 94066, (650) 624-3101.

Basic Financial Statements

SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
Assets		
Current assets:		
Cash and investments	$	11,524,878
Accounts receivable		1,203,598
Prepaid items and inventory		9,006
Total current assets		12,737,482
Noncurrent assets:		
Capital assets - net		30,715,328
Total noncurrent assets		30,715,328
Total Assets	$	43,452,810
Deferred Outflows of Resources		
Pension adjustments	$	8,629,258
Total Deferred Outflows of Resources	$	8,629,258
Liabilities		
Current liabilities:		
Accounts payable	$	1,155,166
Unearned revenue		269,981
Accrued interest		85,529
Total current liabilities		1,510,676
Long-term liabilities:		
Due within one year		3,121,238
Due after one year		51,767,208
Total long-term liabilities		54,888,446
Total Liabilities	$	56,399,122
Deferred Inflows of Resources		
Pension adjustments	$	1,901,160
Total Deferred Outflows of Resources	$	1,901,160
Net Position		
Net investment in capital assets	$	6,094,222
Restricted for:		
Capital projects		595,979
Debt service		2,874,610
Cafeteria programs		231,651
Educational programs		359,734
Total restricted		4,061,974
Unrestricted		(16,374,410)
Total Net Position	$	(6,218,214)

The notes to financial statements are an integral part of this statement.

SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 22,637,302	$ 94,068	$ 2,515,370	$ (20,027,864)
Instruction-related services:				
Supervision of instruction	911,744	9,238	27,433	(875,073)
Instruction library, media and technology	889,354	-	-	(889,354)
School site administration	2,118,459	196	227,336	(1,890,927)
Pupil services:				
Home-to-school transportation	332,359	-	6,672	(325,687)
Food services	929,383	300,646	536,148	(92,589)
All other pupil services	1,938,973	26,066	221,047	(1,691,860)
General administration:				
Data processing	177,552	-	-	(177,552)
All other general administration	1,923,537	10,429	95,854	(1,817,254)
Plant services	3,020,866	-	148,568	(2,872,298)
Ancillary Services	224,442	-	224,442	-
Other educational programs	660,441	16,692	540,363	(103,386)
Interest on long-term debt	1,084,348	-	-	(1,084,348)
Total governmental activities	$ 36,848,760	$ 457,335	$ 4,543,233	(31,848,192)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				23,309,056
Taxes levied for debt service				2,703,920
Taxes levied for other specific purposes				550,257
Federal and state aid non restricted to specific purposes				2,020,868
Interest and investment earnings				126,607
Miscellaneous				1,264,677
Total general revenues				29,975,385
Change in net position				(1,872,807)
Net position beginning				(2,228,888)
Prior period adjustment - OPEB GASB 75				(2,116,519)
Net position beginning as adjusted				(4,345,407)
Net position ending (deficit)				$ (6,218,214)

The notes to financial statements are an integral part of this statement.

SAN BRUNO PARK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 4,264,687	$ 3,476,137	$ 2,863,643	$ 920,411	$ 11,524,878
Accounts receivable	793,865	14,700	10,967	384,066	1,203,598
Due from other funds	540,043	-	-	266,179	806,222
Prepaid items and inventory	-	-	-	9,006	9,006
Total Assets	$ 5,598,595	$ 3,490,837	$ 2,874,610	$ 1,579,662	$ 13,543,704
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,059,806	$ 4,740	$ -	$ 90,620	$ 1,155,166
Due to other funds	288,902	-	-	517,320	806,222
Unearned revenue	206,052	-	-	63,929	269,981
Total Liabilities	1,554,760	4,740	-	671,869	2,231,369
Fund balances:					
Nonspendable:					
Revolving fund	500	-	-	2,000	2,500
Stores inventory	-	-	-	9,006	9,006
Restricted for:					
Cafeteria programs	-	-	-	231,651	231,651
Capital projects	-	-	-	595,979	595,979
Educational programs	318,973	-	-	40,761	359,734
Debt service	-	-	2,874,610	-	2,874,610
Assigned for:					
Capital projects	820,275	3,486,097	-	18,912	4,325,284
Other postemployment benefits	573,301	-	-	-	573,301
Unassigned:					
Economic uncertainties	1,771,474	-	-	-	1,771,474
Unappropriated	559,312	-	-	8,565	567,877
Total Fund Balances	4,043,835	3,486,097	2,874,610	907,793	11,312,335
Total Liabilities and Fund Balances	$ 5,598,595	$ 3,490,837	$ 2,874,610	$ 1,579,662	$ 13,543,704

The notes to financial statements are an integral part of this statement.

SAN BRUNO PARK SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds		$ 11,312,335
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	$ 63,154,856	
Accumulated depreciation	(32,439,528)	30,715,328
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.		(85,529)
Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.		8,629,258
The differences from pension plan assumptions in actuarial valuations are not included included in the plans' actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position.		(1,901,160)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
General obligation bonds	$ 21,146,106	
Lease revenue bonds	3,475,000	
Net pension liabilities	26,227,229	
Net OPEB liability	3,955,271	
Compensated absences (vacation)	84,840	(54,888,446)
Total net position - governmental activities		$ (6,218,214)

The notes to financial statements are an integral part of this statement.

SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 24,343,597	$ -	$ -	$ -	$ 24,343,597
Federal revenue	1,100,055	-	-	505,977	1,606,032
Other state	2,353,440	-	11,063	877,798	3,242,301
Other local	1,867,458	587,459	2,715,987	613,119	5,784,023
Total revenues	29,664,550	587,459	2,727,050	1,996,894	34,975,953
Expenditures:					
Instruction	17,398,201	-	-	926,671	18,324,872
Instruction-related services:					
Supervision of instruction	911,744	-	-	-	911,744
Instruction library, media and technology	367,617	-	-	-	367,617
School site administration	1,884,784	-	-	233,675	2,118,459
Pupil services:					
Home-to-school transportation	332,359	-	-	-	332,359
Food services	-	-	-	929,383	929,383
All other pupil services	1,933,042	-	-	-	1,933,042
General administration:					
Data processing	177,552	-	-	-	177,552
All other general administration	1,853,901	-	-	69,636	1,923,537
Plant services	3,003,635	228,786	-	16,836	3,249,257
Facilities acquisition and construction	-	553,446	-	-	553,446
Ancillary services	224,442	-	-	-	224,442
Payments to other agencies	660,441	-	-	-	660,441
Debt service:					
Principal	320,000	-	1,009,886	-	1,329,886
Interest and other costs	265,131	-	1,635,114	-	1,900,245
Total expenditures	29,332,849	782,232	2,645,000	2,176,201	34,936,282
Excess (deficiency) of revenues over (under) expenditures	331,701	(194,773)	82,050	(179,307)	39,671
Other financing sources (uses):					
Transfers in	216,650	-	-	191,717	408,367
Transfers out	-	-	(370,795)	(37,572)	(408,367)
Total other financing sources (uses)	216,650	-	(370,795)	154,145	-
Net changes in fund balances	548,351	(194,773)	(288,745)	(25,162)	39,671
Fund balances beginning	3,495,484	3,680,870	3,163,355	932,955	11,272,664
Fund balances ending	$ 4,043,835	$ 3,486,097	$ 2,874,610	$ 907,793	$ 11,312,335

The notes to financial statements are an integral part of this statement.

SAN BRUNO PARK SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds		$ 39,671
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	$ 1,077,301	
Depreciation expense	(2,423,476)	
Capital asset adjustments	43,727	(1,302,448)
Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements.		808,021
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Repayment of bond principal		1,329,886
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(2,420,348)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by:		21,421
In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(356,886)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		7,876
Changes in net position of governmental activities		$ (1,872,807)

The notes to financial statements are an integral part of this statement.

SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	Student Body Agency Fund Total
Assets	
Cash on hand and in banks	$ 35,402
Total Assets	$ 35,402
Liabilities	
Due to student groups	$ 35,402
Total Liabilities	$ 35,402

The notes to financial statements are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2018, the District does not have any component units and is not a component unit of any other reporting entity.

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. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide 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 the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that 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 nonmajor 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, deferred outflows of resources, current liabilities and deferred inflows of resources 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

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.

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

Unearned Revenue:

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

Expenses/Expenditures:

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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's accounts are organized into major, nonmajor, and fiduciary funds as follows:
Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay and Special Reserve Fund for Postemployment Benefits.

The *Special Reserve Fund for Capital Outlay Projects* exists primarily for the accumulation of General Fund monies for capital outlay purposes.

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains two non-major special revenue funds:

- The *Child Development Fund* is used to account for resources committed to child development programs maintained by the District.
- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.
- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of district property.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains one non-major capital projects fund:

- The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

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 accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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 district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

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.

For the fiscal year ended June 30, 2018, expenditures within the General Fund exceeded budget in four categories, exceeded budget by $1,732,977 in total. Fund balance was more than adequate to cover the excess expenditures.

G. Encumbrances

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

H. Benefit Plans

Pension

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

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

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of $5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Improvement of sites	10-25
Furniture and fixtures	20
Buildings and improvements	25-50
Machinery and equipment	5-15
Vehicles	8-15

5. 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 as a deferred inflow to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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. At retirement, each classified member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

7. Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

8. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision

making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of trustees.

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Assistant Superintendent of Business Services.

- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

In order to comply with the requirements of GASB 54, the District has combined transactions in the Special Reserve Fund for Other than Capital Outlay Projects (Special Reserve Fund) and the Special reserve fund for Other Postemployment Benefits (OPEB Fund) with the General Fund. The Special Reserve Fund and the OPEB Fund do not meet the definition of a special revenue fund as defined by GASB 54.

9. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

Cafeteria Program restrictions reflect the cash balances in the Cafeteria fund that are restricted for food services and child nutrition programs.

Educational Program restrictions reflect the amounts to be expended for federal and state funded educational programs.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

10. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The county is responsible for assessing, collecting, and apportioning property taxes. 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 March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 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 (March 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 alternate 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 revenue limit sources by the District.

11. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels. There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

12. Interfund Transactions

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/expenses. 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. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

13. Accounting Estimates

The presentation 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 the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

On February 15, 2018, the District's Board voted to close both El Crystal Elementary and Rollingwood Elementary. El Crystal Elementary closed June 2018. The closure date for Rollingwood Elementary has yet to be determined.

On November 6, 2018, the District's voters approved a new bond measure, Measure X, for up to $79 million in bonds.

J. Implemented New Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The provisions in Statement 75 are effective for the fiscal year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

As of June 30, 2018, according to GASB 75, the District's net OPEB liability must be recognized. Therefore, the previous net OPEB liability as of June 30, 2017 in the amount of $2,116,519 has been shown as a restatement of net position in the Statement of Activities as a separate line item.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. This statement did not have an impact on the District's financial statements.

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 83, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, *Leases* - The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* - This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period* - This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2018, is as follows:

Description	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash in banks	$ 100	$ 100
Cash awaiting deposit	111,058	110,556
Cash with fiscal agent	869	865
Cash in revolving fund	2,500	2,500
Cash with County	11,410,351	11,358,776
Total Cash and Investments	$ 11,524,878	$ 11,472,797
Fiduciary Funds:		
Cash in Banks	$ 35,402	$ 35,402

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2018, the bank balance of the District's cash in banks was $166,552 which was fully insured by FDIC.

Cash in County Treasury

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

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2018:

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

Policies and Practices

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

Limitations as they relate to interest rate risk, credit risk, custodial credit risk - deposits and concentration of credit risk are described below:

1. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District keeps cash in the San Mateo County Investment Pool which had a fair value of approximately $1.469 billion and an amortized book value of $1.475 billion.

2. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least Aa1 by Moody's Investor Service.

3. Custodial Credit Risk – Deposits

Custodial credit risk 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.

4. 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. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS RECEIVABLE

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

Receivables	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest Redemption	Nonmajor Funds	Total
Federal Government:	$ 110,201	$ -	$ -	$ 85,036	$ 195,237
State Government:	371,689	-	-	251,516	623,205
Unrestricted	204,419	14,700	-	3,606	222,725
Local	107,556	-	10,967	43,908	162,431
Total Accounts Receivable	$ 793,865	$ 14,700	$ 10,967	$ 384,066	$ 1,203,598

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. 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. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

The following summarizes interfund balances as of June 30, 2018:

Fund	Due From	Due To
General Fund	$ 540,043	$ 288,902
Nonmajor Funds	266,179	517,320
Totals	$ 806,222	$ 806,222

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. Interfund transfers consisted of the following for the fiscal year ended June 30, 2018:

Fund	Transfers In	Transfers Out
General Fund	$ 216,650	$ -
Bond Interest and Redemption Fund	-	370,795
Nonmajor Funds	191,717	37,572
Totals	$ 408,367	$ 408,367

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, is shown below:

Capital Assets	Balance June 30, 2017	Additions	Deletions/ Adjustments	Balance June 30, 2018
Land - not depreciable	$ 598,612	$ -	$ -	$ 598,612
Work-in-progress - not depreciable	105,028	553,446	(658,474)	-
Buildings	27,283,465	658,474	-	27,941,939
Improvements of sites	30,446,100	497,057	-	30,943,157
Equipment	3,698,373	26,798	(54,023)	3,671,148
Total capital assets	62,131,578	1,735,775	(712,497)	63,154,856
Less accumulated depreciation for:				
Buildings	6,558,075	964,785	4,140,371	11,663,231
Improvements of sites	20,059,026	1,285,015	(3,442,752)	17,901,289
Equipment	3,496,701	173,676	(795,369)	2,875,008
Total accumulated depreciation	30,113,802	2,423,476	(97,750)	32,439,528
Total capital assets - net depreciation	$ 32,017,776	$ (687,701)	$ (614,747)	$ 30,715,328

During the year, the District decreased the cost basis for equipment to remove assets which had been sold in a prior year, in the amount of $54,023. The District also reclassified the accumulated depreciation for buildings, improvements of sites, and equipment based on current data and recent changes at the District, in the net amount of $97,750. The net decrease in capital assets of $43,727 is not considered significant to the District's capital assets.

Depreciation expense was allocated to the following functions during the year:

Instruction	$ 1,556,617
Instruction library, media and technology	521,737
All other pupil services	5,931
Plant services	339,191
Total depreciation expense	$ 2,423,476

NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term debt for the year ended June 30, 2018:

Long-term Debt	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$22,964,013	$ 1,320,509	$ 3,138,416	$21,146,106	$ 2,811,238
Lease Revenue Bonds	3,795,000	-	320,000	3,475,000	310,000
Net Pension Liabilities	21,834,272	15,125,373	10,732,416	26,227,229	-
Annual net OPEB obligation	1,481,866	2,767,710	294,305	3,955,271	-
Compensated Absences	106,261		21,421	84,840	-
Total Long-term Debt	$50,181,412	$19,213,592	$14,506,558	$54,888,446	$ 3,121,238

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. Payments on the lease revenue bonds are made by the General Fund from local revenues. Compensated absences, net pension obligations and OPEB obligations will be paid by the fund for which the employee worked.

NOTE 7 - BONDS

General Obligation Bonds

Through elections, the District received authorization to issue general obligation bonds that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

In April 1998, the voters of the District authorized the District to sell $30,000,000 of General Obligation Bonds. On August 1, 1998, the District sold $4,621,060 of capital appreciation serial bonds. On August 1, 2000, the District sold $3,700,000 of current interest serial bonds and $4,299,644 of capital appreciation serial bonds. On August 1, 2002, the District sold $3,040,000 of current interest serial bonds and $3,844,190 of capital appreciation bonds. The bonds represent general obligation of the District payable solely from the proceeds of an Ad Valorem property tax.

Lease Revenue Bonds

On July 15, 2011, the District issued Lease Revenue Bonds, Series 2011 (the “Bonds”) totaling $5,310,000. Pursuant to the terms of a Tax Certificate, executed by the San Bruno Park School Facilities Financing Authority (the “Issuer”) and dated the date of issuance of the Bonds, the Bonds have been irrevocably designated by the Issuer as "New Clean Renewable Energy Bonds," in accordance with Sections 54C of the Internal Revenue Code of 1986. The bonds were issued to provide funding for the construction of solar energy projects at some of the District’s school facilities. The Bonds bear interest at 5.37%, mature through July 15, 2027, and are eligible for partial subsidy payments on the interest due from the US Department of the Treasury.

The following schedule summarizes District's outstanding Principal Bonds as of June 30, 2018:

Description		Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds June 30, 2017	Additions/ Accretion	Redeemed	Bonds June 30, 2018
Principal Bonds:									
1998A	CAB	1998	2024	5.1-5.3%	$ 4,621,060	$ 2,782,925	$ -	$ 436,174	$ 2,346,751
1998B	CAB	2000	2026	5.6-5.94%	4,299,644	3,239,322	-	329,494	2,909,828
1998C	CAB	2002	2027	4.97-5.64%	3,844,189	3,115,150	-	244,218	2,870,932
2011	LRB	2011	2028	5.37%	5,310,000	3,795,000	-	320,000	3,475,000
Subtotal Principal Bonds					18,074,893	12,932,397	-	1,329,886	11,602,511
Accreted Interest:									
1998A	CAB					4,313,605	372,761	802,882	3,883,484
1998B	CAB					5,415,718	515,480	797,038	5,134,160
1998C	CAB					4,097,293	432,268	528,610	4,000,951
Subtotal Accreted Interest						13,826,616	1,320,509	2,128,530	13,018,595
Total Principal Bonds					$18,074,893	$26,759,013	$ 1,320,509	$ 3,458,416	$24,621,106

The following is a summary of the District's annual debt service requirements as of June 30, 2018:

Year Ending June 30,	Principal	Interest to Maturity	Total
2019	$ 1,310,211	$ 2,003,909	$ 3,314,120
2020	1,297,737	2,117,273	3,415,010
2021	1,283,310	2,234,948	3,518,258
2022	1,266,673	2,356,318	3,622,991
2023	1,254,322	2,513,271	3,767,593
2024-2028	5,190,258	9,747,062	14,937,320
Total Debt Service	$ 11,602,511	$ 20,972,781	$ 32,575,292

The following is a summary of the credit to be received over the life of the lease revenue bonds:

Year Ending June 30,	Credit to Maturity
2019	$ 122,430
2020	110,326
2021	98,036
2022	85,562
2023	72,904
2024-2028	168,168
Total Credit to Maturity	$ 657,426

NOTE 8 - CALPERS PENSION PLAN

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%
Required employee contribution rates	7.0%	6.0%
Required employer contribution rates	15.531%	15.531%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the District's contributions were $638,644.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	$ 8,656,219

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

	CalPERS
Proportion - June 30, 2017	0.03050%
Proportion - June 30, 2018	0.03626%
Change - Increase/(Decrease)	0.00576%

For the year ended June 30, 2018, the District recognized pension expense of $1,027,414 for the Plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 1,162,461	$ -
Differences between Expected and Actual Experience	310,117	-
Differences between Projected and Actual Investment Earnings	299,446	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	8,509
Change in Employer's Proportion	843,155	-
Pension Contributions Made Subsequent to Measurement Date	724,600	-
Total	$ 3,339,779	$ 8,509

The District reported $724,600 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Outflows/(Inflows) of Resources CalPERS
2019	$ 801,600
2020	1,138,784
2021	830,262
2022	(163,977)
Total	$ 2,606,669

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varies by age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		CalPERS
1% Decrease		6.15%
Net Pension Liability	$	12,736,072
Current		7.15%
Net Pension Liability	$	8,656,219
1% Increase		8.15%
Net Pension Liability	$	5,271,639

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

NOTE 9 - CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS) PENSION PLAN

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	10.250%	9.205%
Required employer contribution rates	14.430%	14.430%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2018 the District's contributions were as follows:

	CalSTRS
Employer Contributions	$ 1,513,195
State Contributions	859,081
Total	$ 2,372,276

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 17,571,010
State	6,531,144
Total	$ 24,102,154

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047.

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

	CalSTRS
Proportion - June 30, 2017	0.02000%
Proportion - June 30, 2018	0.01900%
Change - Increase/(Decrease)	-0.00100%

For the year ended June 30, 2018, the District recognized pension expense of $1,392,935 for the Plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 3,255,270	$ -
Differences between Expected and Actual Experience	-	241,490
Differences between Projected and Actual Investment Earnings	-	467,970
Differences between Employer's Contributions and Proportionate Share of Contributions	521,014	-
Change in Employer's Proportion	-	1,183,191
Pension Contributions Made Subsequent to Measurement Date	1,513,195	-
Total	$ 5,289,479	$ 1,892,651

The District reported $1,513,195 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Outflows/(Inflows) of Resources CalSTRS
2019	$ (33,121)
2020	650,404
2021	398,464
2022	(59,911)
2023	393,180
Thereafter	534,617
Total	$ 1,883,633

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Varies by age and service. Approximately 6% average over career including inflation

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) Derived using CalSTRS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class	New Strategic Allocation	Long-Term Expected Rate of Return [1]
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

[1] 20 year average

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		CalSTRS
1% Decrease		6.10%
Net Pension Liability	$	25,800,100
Current		7.10%
Net Pension Liability	$	17,571,010
1% Increase		8.10%
Net Pension Liability	$	10,892,890

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits for the below groups of employees.

Benefits - The following summarizes the benefits in the plan:

	Certificated	Certificated Management	Classified	Classified Management & Confidential
Benefits Provided:	Medical & dental	Medical, dental & vision	Medical & dental**	Medical & dental
Duration of Benefits:	10 years*	5 years, not beyond age 67	5 years, not beyond age 65	5 years, not beyond age 67
Required Services:	10 years	10 years	10 years	10 years
Minimum Age:	55	55	50	55
Dependent Coverage:	No	No	Yes**	Yes
District Contribution Percentage:	100%	100%	100%	100%
District Cap:	None	Capped after 5 years of benefits	None	None

* But not beyond the earlier of the retiree's Medicare eligibility or age 67
** Choice of two-party medical or single medical and dental

Employees Covered by Benefit Terms - At June 30, 2018 (the valuation date), the benefit terms covered the following employees:

Active employees	217
Inactive employees	123
Total employees	340

Contributions - The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the OPEB plan during the year were and total benefit payments included in the measurement period were $294,305. The actuarially determined contribution for the measurement period was $850,009. The District's contributions were 1.97% of payroll during the measurement period June 30, 2018 (reporting period June 30, 2018). Employees are not required to contribute to the plan.

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry-Age Actuarial Cost Method
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate	4.30%
Inflation	2.75%
Payroll Increases	2.75%
Health Care Trend	4.00%
Investment Rate of Return	4.30%
Mortality	2009 CalSTRS Mortality 2014 CalPERS Active and Reitree Mortality for Miscellaneous Employees
Retirement	
Certificated	2009 CalSTRS Retirement Rates
Classified	Hired before 1/1/13: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/12: 2009 CalPERS Retirement Rates for Miscelleaneous Employees 2%@60 adjusted to minimum retirement age of 52
Service Requirement	
Certificated	100% at 10 years of service
Classified	100% at 10 years of service; pension eligibility for statutory minimum benefits

Discount Rate - The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return - The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
Equities	50.00%	7.500%
Fixed Income	50.00%	4.500%
Total	100.00%	6.000%

Net OPEB Liability - -The District's total OPEB liability was measured as of June 30, 2018 (measurement date) and was determined by an actuarial valuation as of June 30, 2018 (valuation date) for the fiscal year ended June 30, 2018 (reporting date).

Changes in the Net OPEB Liability - The following summarizes the changes in the net OPEB liability during the year ended June 30, 2018:

Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2018)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Balance at June 30,2017	$ 7,148,980	$ 3,550,595	$ 3,598,385
Service cost	554,802	-	554,802
Interest in Total OPEB Liability	312,679	-	312,679
Employer contributions	-	294,305	(294,305)
Employer implicit subsidy	-	-	-
Employee contributions	-	-	-
Balance of diff between actual and exp experience	-	-	-
Balance of diff between actual and exp earnings	-	-	-
Balance of changes in assumptions	-	-	-
Actual investment income	-	241,116	(241,116)
Administrative expenses	-	(9,302)	9,302
Benefit payments	(294,305)	(294,305)	-
Other	-	(15,524)	15,524
Net changes	573,176	216,290	356,886
Balance at June 30, 2018	$ 7,722,156	$ 3,766,885	$ 3,955,271

Covered Payroll at Measurement Date	$ 14,904,958
Total OPEB Liability as a % of covered payroll	51.81%
Plan Fid. Net Position as a % of Total OPEB Liability	48.78%
Service cost as a % of covered payroll	3.72%
Net OPEB Liability as a % of covered payroll	26.54%

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2018:

Service cost	$ 554,802
Interest in TOL	312,679
Expected investment income	-
Other	15,524
Employee contributions	-
Difference between actual and expected experience	-
Difference between actual and expected earnings	(241,116)
Change in assumptions	-
Administrative expenses	9,302
OPEB Expense	**$ 651,191**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2018:

Net OPEB liability ending	$ 3,955,271
Net OPEB liability begining	(3,598,385)
Change in net OPEB liability	356,886
Changes in deferred outflows	-
Changes in deferred inflows	-
Employer contributions	294,305
OPEB Expense	**$ 651,191**

Sensitivity to Changes in the Discount Rate - The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	3.3% (1% Decrease)	**4.3% (Current Rate)**	**5.3% (1% Increase)**
Net OPEB Liability	$ 4,886,774	$ 3,955,271	$ 3,181,387

Sensitivity to Changes in the Healthcare Cost Trend Rates - The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	3.0% (1% Decrease)	**4.0% (Current Rate)**	**5.0% (1% Increase)**
Net OPEB Liability	$ 3,229,121	$ 3,955,271	$ 4,772,766

NOTE 11 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in one joint venture under a joint powers agreement (JPA), with the San Mateo County Schools Insurance Group, for Property & Liability, Workers' Compensation and Medical/ Dental. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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

The following is a summary of the most recent financial information for the JPA:

	SMCSIG June 30, 2018
Total Assets & Deferred Outflows	$ 25,857,722
Total Liabilities & Deferred Inflows	10,504,013
Total Equity	15,353,709
Total Revenues	45,214,456
Total Expenditures	42,672,851

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

Litigation

During the normal course of business, the District may be exposed to various claims and litigation. Based on consultation with legal counsel, management believes that there were no significant litigation related matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources	$ 22,377,920	$ 23,857,058	$ 24,343,597	$ 486,539
Federal revenues	1,108,418	1,184,345	1,100,055	(84,290)
Other state	2,201,517	2,207,650	2,353,440	145,790
Other local	1,805,581	1,937,903	1,867,458	(70,445)
Total revenues	27,493,436	29,186,956	29,664,550	477,594
Expenditures:				
Certificated salaries	10,189,869	10,587,571	10,726,928	(139,357)
Classified salaries	4,360,832	4,315,994	4,042,698	273,296
Employee benefits	6,520,420	6,497,018	6,293,109	203,909
Books and supplies	1,236,695	1,544,365	934,250	610,115
Services and other operating expenditures	4,579,080	4,698,998	5,627,043	(928,045)
Capital outlay	-	29,000	527,335	(498,335)
Other outgo	1,108,150	1,014,246	1,181,486	(167,240)
Total expenditures	27,995,046	28,687,192	29,332,849	(645,657)
Excess (deficiency) of revenues over (under) expenditures	(501,610)	499,764	331,701	(168,063)
Other financing sources (uses):				
Transfers in	418,000	418,000	-	(418,000)
Transfers out	(142,500)	(146,548)	216,650	363,198
Total other financing sources (uses)	275,500	271,452	216,650	(54,802)
Change in fund balance	$ (226,110)	$ 771,216	548,351	$ (222,865)
Fund balances beginning			3,495,484	
Fund balances ending			$ 4,043,835	

The budgetary control level is by object on the modified accrual basis per U.S. GAAP. Expenditures can not legally exceed appropriations by major object. The above excesses were not in accordance with Education Code 42600.

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 724,600	$ 638,644	$ 433,512	$ 376,433
Contributions in Relation to Actuarially Determined Contributions	724,600	638,644	433,512	376,433
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Employee Payroll	**$ 4,665,508**	**$ 4,598,531**	**$ 3,659,163**	**$ 3,197,970**
Contributions as a Percentage of Covered Payroll	**15.53%**	**13.89%**	**11.85%**	**11.77%**

Notes to Schedule:

Valuation Date: June 30, 2016

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.5%
CalPERS mortality table using 20 years of membership data for all funds

STRS	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 1,513,195	$ 1,287,399	$ 1,045,598	$ 848,953
Contributions in Relation to Actuarially Determined Contributions	1,513,195	1,287,399	1,045,598	848,953
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Employee Payroll	**$ 10,486,452**	**$ 10,233,696**	**$ 9,744,623**	**$ 9,560,282**
Contributions as a Percentage of Covered Payroll	**14.43%**	**12.58%**	**10.73%**	**8.88%**

Notes to Schedule:

Valuation Date: June 30, 2016

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll
7 Years Remaining Amortization Period
Inflation Assumed at 3.00%
Investment Rate of Returns set at 7.50%
STRS mortality table using membership data for all funds

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
There were no changes in benefit terms.
PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.
STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS	2018	2017	2016	2015
District's Proportion of Net Pension Liability	0.03626%	0.02908%	0.02859%	0.02850%
District's Proportionate Share of Net Pension Liability	$ 8,656,219	$ 5,742,517	$ 4,214,478	$ 3,235,444
District's Covered Employee Payroll	$ 4,598,531	$ 3,659,163	$ 3,197,970	$ 3,073,861
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**188.24%**	**156.94%**	**131.79%**	**105.26%**
Plan's Fiduciary Net Position as a % of the TPL	**71.87%**	**73.90%**	**79.43%**	**83.38%**

STRS	2018	2017	2016	2015
District's Proportion of Net Pension Liability	0.01900%	0.01990%	0.01987%	0.02100%
District's Proportionate Share of Net Pension Liability	$ 17,571,010	$ 16,091,755	$ 13,380,355	$ 12,271,770
District's Covered Employee Payroll	$ 10,233,696	$ 9,744,623	$ 9,560,282	$ 9,142,603
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**171.70%**	**165.13%**	**139.96%**	**134.23%**
Plan's Fiduciary Net Position as a % of the TPL	**69.46%**	**70.04%**	**74.02%**	**76.52%**

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

There were no changes in benefit terms.

PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.

STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Fiscal Year Ended June 30, 2018
Actuarially determined contribution (ADC)	$ 850,009
Less: actual contribution in relation to ADC	(294,305)
Contribution deficiency (excess)	$ 555,704
Covered payroll for the fiscal year 2017/18	$ 14,904,958
Contributions as a percentage of covered payroll	1.97%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry-Age Actuarial Cost Method
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate	4.30%
Inflation	2.75%
Payroll Increases	2.75%
Health Care Trend	4.00%
Investment Rate of Return	4.30%
Mortality	2009 CalSTRS Mortality 2014 CalPERS Active and Reitree Mortality for Miscellaneous Employees
Retirement	
Certificated	2009 CalSTRS Retirement Rates
Classified	Hired before 1/1/13: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/12: 2009 CalPERS Retirement Rates for Miscelleaneous Employees 2%@60 adjusted to minimum retirement age of 52
Service Requirement	
Certificated	100% at 10 years of service
Classified	100% at 10 years of service; pension eligibility for statutory minimum benefits

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Fiscal Year Ended June 30, 2018
Total OPEB liability	
Service cost	$ 554,802
Interest	312,679
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(294,305)
Net change in Total OPEB Liability	573,176
Total OPEB Liability - beginning	7,148,980
Total OPEB Liability - ending	$ 7,722,156
Plan fiduciary net position	
Employer contributions	$ 294,305
Employer implict subsidy	-
Employee contributions	-
Net investment income	241,116
Difference between estimated and actual earnings	-
Benefit payments	(294,305)
Other	(15,524)
Administrative expense	(9,302)
Net change in plan fiduciary net position	216,290
Plan fiduciary net position - beginning	3,550,595
Plan fiduciary net position - ending	$ 3,766,885
Net OPEB liability	$ 3,955,271
Plan fiduciary net position as a percentage of the total OPEB liability	48.78%
Covered employee payroll	$ 14,904,958
Net OPEB Liability as a percentage of covered payroll	26.54%
Total OPEB Liability as a percentage of covered payroll	51.81%

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

SUPPLEMENTARY INFORMATION

SAN BRUNO PARK SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			Capital Project Funds		
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Assets						
Cash and investments	$ 1,509	$ 227,612	$ 79,038	$ 18,829	$ 593,423	$ 920,411
Accounts receivable	295,424	86,003	-	83	2,556	384,066
Due from other funds	246,468	19,711	-	-	-	266,179
Prepaid items and inventory	-	9,006	-	-	-	9,006
Total Assets	$ 543,401	$ 342,332	$ 79,038	$ 18,912	$ 595,979	$ 1,579,662
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 77,363	$ 13,257	$ -	$ -	$ -	$ 90,620
Due to other funds	383,004	56,197	78,119	-	-	517,320
Unearned revenue	42,273	21,656	-	-	-	63,929
Total Liabilities	502,640	91,110	78,119	-	-	671,869
Fund balances:						
Nonspendable revolving fund	-	2,000	-	-	-	2,000
Nonspendable stores inventory	-	9,006	-	-	-	9,006
Restricted for cafeteria programs	-	231,651	-	-	-	231,651
Restricted for capital projects	-	-	-	-	595,979	595,979
Restricted for educational programs	40,761	-	-	-	-	40,761
Assigned for cafeteria programs	-	8,565	-	-	-	8,565
Assigned for capital projects	-	-	-	18,912	-	18,912
Assigned for site repairs	-	-	919	-	-	919
Total Fund Balances	40,761	251,222	919	18,912	595,979	907,793
Total Liabilities and Fund Balances	$ 543,401	$ 342,332	$ 79,038	$ 18,912	$ 595,979	$ 1,579,662

SAN BRUNO PARK SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Capital Project Funds		
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Revenues:						
Federal revenue	$ -	$ 505,977	$ -	$ -	$ -	$ 505,977
Other state	836,781	41,017	-	-	-	877,798
Other local	245,996	310,938	919	282	54,984	613,119
Total revenues	1,082,777	857,932	919	282	54,984	1,996,894
Expenditures:						
Current						
Instruction	926,671	-	-	-	-	926,671
Instruction-related services:						
School site administration	233,675	-	-	-	-	233,675
Pupil services:						
Food services	1,191	928,192	-	-	-	929,383
General administration:						
All other general administration	44,781	19,310			5,545	69,636
Plant services	14,636	-	-	2,200	-	16,836
Total expenditures	1,220,954	947,502	-	2,200	5,545	2,176,201
Excess (deficiency) of revenues over (under) expenditures	(138,177)	(89,570)	919	(1,918)	49,439	(179,307)
Other financing sources (uses):						
Transfers in	172,006	19,711	-	-	-	191,717
Transfers out	(37,572)	-	-	-	-	(37,572)
Total other financing sources (uses)	134,434	19,711	-	-	-	154,145
Change in fund balances	(3,743)	(69,859)	919	(1,918)	49,439	(25,162)
Fund balances beginning	44,504	321,081	-	20,830	546,540	932,955
Fund balances ending	$ 40,761	$ 251,222	$ 919	$ 18,912	$ 595,979	$ 907,793

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STATE AND FEDERAL AWARD COMPLIANCE SECTION

SAN BRUNO PARK SCHOOL DISTRICT
ORGANIZATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

The San Bruno Park School District serves approximately 2,500 students and is located in San Mateo County in San Bruno, California. There were no changes in boundaries during the current year. The District currently operates six K-5 elementary schools, and one 6-8 middle school.

Governing Board

Name	Office	Term Expires
Jennifer M. Blanco	President	2020
John Marinos	Vice President	2018
Andrew T. Mason	Clerk	2018
Kevin J. Martinez	Representative	2020
Henry Sanchez	Member-at-Large	2018

Administration

Stella Kemp
Superintendent

Wendy Richard
Associate Superintendent Business Services

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Total ADA	
San Bruno Park School District	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	1,191.22	1,187.44
Grades four through six	803.68	801.94
Grades seven and eight	506.45	507.30
Regular ADA Totals	2,501.35	2,496.68
Extended year Special education:		
Grades TK/K through three	2.34	2.34
Grades four through six	1.71	1.71
Grades seven and eight	0.30	0.30
Special education - nonpublic, nonsect schools:		
Grades TK/K through three	1.78	2.32
Grades four through six	1.55	1.81
Grades seven and eight	2.62	2.52
Extended year special education - nonpublic, nonsect schools:		
Grades TK/K through three	0.04	0.04
Grades four through six	0.09	0.09
Grades seven and eight	0.35	0.34
ADA Totals	2,512.13	2,508.15

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirements	2018 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	38,700	180	0	In compliance
Grade 1	50,400	51,825	180	0	In compliance
Grade 2	50,400	51,825	180	0	In compliance
Grade 3	50,400	51,825	180	0	In compliance
Grade 4	54,000	54,175	180	0	In compliance
Grade 5	54,000	54,175	180	0	In compliance
Grade 6	54,000	57,050	180	0	In compliance
Grade 7	54,000	56,860	180	0	In compliance
Grade 8	54,000	56,860	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	(Budget [1]) 2019	2018	2017	2016
General Fund				
Revenues and other financial sources	$ 28,870,232	$ 29,881,200	$ 28,060,002	$ 27,513,265
Expenditures	29,049,419	29,332,849	28,659,459	27,524,668
Other uses and transfers out	418,000	-	-	409,221
Total outgo	29,467,419	29,332,849	28,659,459	27,933,889
Change in fund balance	$ (597,187)	$ 548,351	$ (599,457)	$ (420,624)
Ending fund balance	$ 3,446,648	$ 4,043,835	$ 3,495,484	$ 4,094,941
Available reserves [(2)]	$ 2,448,456	$ 2,330,786	$ 1,300,740	$ 1,585,782
Unassigned - Reserved for economic uncertainties	$ 1,748,965	$ 1,771,474	$ 859,783	$ 834,100
Unassigned fund balance	$ 699,491	$ 559,312	$ 440,957	$ 751,682
Available reserves as a percentage of total outgo	8.3%	7.9%	4.5%	5.7%
Total long-term liabilities	$ 51,767,208	$ 54,888,446	$ 50,181,412	$ 46,688,246
Average daily attendance at P-2	2,552	2,512	2,537	2,611

Average daily attendance has decreased by 99 since 2016. The district anticipates an increase of 40 ADA during the 2019 fiscal year.

The general fund balance has decreased by $51,106 since 2016. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo). Based on the 18/19 budget, the General Fund will report a deficit spending at the end of the 18/19.

The district has operated at a deficit in two of the past three years. Total long-term liabilities have increased by $8,200,200 over the past three years.

[1] Budget numbers are based on the board approved operating budget of the fiscal year 2018/19 and includes the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits as required by GASB 54.

[2] Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PROGRAM NAME	FEDERAL CATALOG NUMBER		PASS THROUGH NUMBER	PROGRAM EXPENDITURE
U. S. DEPARTMENT OF AGRICULTURE:				
Passed through California Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	(1)	13391	$ 120,373
National School Lunch Program	10.555	(1)	13391	351,387
Total Child Nutrition Cluster				471,760
Child and Adult Care Food Program (Cash Advance)	10.558		13666	34,217
TOTAL U.S. DEPARTMENT OF AGRICULTURE				505,977
U. S. DEPARTMENT OF EDUCATION:				
Passed through California Department of Education:				
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	(1)	13379	436,760
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027	(1)	13682	74,719
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	(1)	10115	9,260
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	(1)	13431	1,201
IDEA Preschool Grants, Part B, Sec 619	84.173	(1)	13430	23,989
Total Special Education Cluster				545,929
Title I Grants to Local Education Agencies				
NCLB - Title I Basic Grant	84.010		14329	256,042
NCLB - Title I, Part A, Program Improvement	84.010		14957	13,466
Total Title I Grants to Local Education Agencies				269,508
English Language Acquisition State Grants				
ESEA (ESSA) - Title III English Learner Student Program	84.365		14346	69,375
ESEA (ESSA) - Title III Immigrant Education Program	84.365		15146	11,574
Total English Language Acquisition State Grants				80,949
ESEA (ESSA) - Title II, Part A, Improving Teacher Quality Local Grants	84.367		14341	45,713
TOTAL U. S. DEPARTMENT OF EDUCATION				942,099
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through California Department of Education:				
Medi-Cal Billing Option	93.778		10013	32,684
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				32,684
TOTAL FEDERAL PROGRAMS				$ 1,480,760

(1) Audited as major program

SAN BRUNO PARK SCHOOL DISTRICT
RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT (SACS)
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2018 Annual Financial and Budget Report Fund Balances	$ 2,650,259	$ 3,486,097	$ 2,874,610	$ 2,301,369
Adjustments and Reclassifications:				
Special Reserve Fund for Other Than Capital Outlay Projects:				
Cash and investments	820,275	-	-	(820,275)
Special Reserve Fund for Other Postemployment Benefits:				
Cash and investments	573,301	-	-	(573,301)
June 30, 2018 Audited Financial Statements Fund Balances	$ 4,043,835	$ 3,486,097	$ 2,874,610	$ 907,793

1. PURPOSE OF SCHEDULES

A. 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.

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. 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.

D. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEMS

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal and State Awards.

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit*

Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Description	Amount
Federal revenues as reported in the Statement of Revenues, Expenditures and changes in Fund Balance:	$ 1,606,032
Rebated interest on qualified New Clean Renewable Energy Bonds are not included in the Schedule of Expenditures of Federal Awards, but are included in the financial statements:	(125,272)
Total Schedule of Expenditures of Federal Awards	$ 1,480,760

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

5. EARLY RETIREMENT INCENTIVE PROGRAM

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

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OTHER INDEPENDENT AUDITOR'S REPORTS

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

Board of Trustees
San Bruno Park School District
San Bruno, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Bruno Park School District (the District) as of and for the year ended June 30, 2018, 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 10, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be significant deficiency: see finding 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

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regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as findings 2018-002 to 2018-005.

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

C & A LLP

December 10, 2018
San Jose, California

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

Board of Trustees
San Bruno Park School District
San Bruno, California

Report on Compliance for Each Major Federal Program

We have audited San Bruno Park School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing

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procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The District's internal control over compliance.

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

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

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

C & A LLP

December 10, 2018
San Jose, California

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Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

Board of Trustees
San Bruno Park School District
San Bruno, California

Compliance

We have audited the San Bruno Park School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2018.

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 applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit, guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes

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Description	Procedures Performed
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Courts	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
School Districts, County Offices of Education, and Charter Schools	
Educator Effectiveness	Yes
California Clean Energy Job Acts	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes-Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for Full-time Independent Study and the Independent Study-Course Based programs because the ADA was under the level that requires testing.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which is described in the accompanying schedule of findings and questioned costs as Findings 2018-002 to 2018-005.

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District's Response to Findings

The District's responses to the compliance 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 in the audit of compliance and, accordingly, we express no opinion on the responses.

C & A LLP

December 10, 2018
San Jose, California

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FINDINGS AND RECOMMENDATIONS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**	
Internal control over financial reporting:		
Material weaknesses?	____ Yes	x No
Significant deficiencies identified not considered to be material weaknesses?	x Yes	____ No
Non-compliance material to financial statements noted?	x Yes	____ No

Federal Awards

Internal control over major programs:		
Material weaknesses?	____ Yes	x No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	x No
Type of auditor's report issued on compliance over major programs	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	x Yes	____ No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
Auditee qualified as low risk auditee?	____ Yes	x No

State Awards

Internal control over state programs:		
Material weaknesses?	____ Yes	x No
Significant deficiencies identified not considered to be material weaknesses?	x Yes	____ No
Type of auditor's report issued on compliance over state programs:	**Unmodified**	

Section II – Financial Statement Findings

Finding 2018-001; 30000 – Employee Vacation Tracking - Repeat of finding 2017-001

Criteria or Specific Requirements: The District should ensure that all vacation used is correctly recorded.

Condition: During our review of the District's tracking of vacation/sick time earned, used and paid, we noted 4 out of 5 employees tested were incorrect. The employee recorded sick time into Absence Management (AESOP), however the District did not properly record the employee's use of sick time into the District's vacation/sick tracker.

Questioned Costs: None.

Effect: The District's determination of employees' vacation remaining could be incorrect.

Cause: The District did not review the final sick time balances.

Recommendation: We recommend that the District review sick time balances on a periodic basis. The District should spot check and reconcile at least quarterly, if not monthly.

Corrective Action Plan: Due to insufficient staffing, the procedures were not implemented. For 2018-19, staffing has been trained in the proper techniques to reconcile the employee leave tracking on a monthly basis.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – State Award Findings and Questioned Costs

Finding 2018-002; 40000 – Unduplicated Pupil Counts - Repeat of finding 2017-006

Criteria or Specific Requirements: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners (EL), (2) meet income or categorical eligibility requirements for free or reduced-price meals (FRPM) under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the EL students and the CALPADS reporting, we noted that 13 of the 46 students tested were either missing proper documentation or were incorrectly classified as EL. After expanding the sample to include all students with discrepancies between the District's internal student system and CALPADS, we noted a total of 33 students were incorrectly accounted for in CALPADS and 12 additional student files were missing documentation to support student EL status. Of the 45 students considered either missing proper documentation or known to be incorrectly classified as EL, 9 of those students were correctly listed as FRPM, leaving a total of 36 students considered incorrectly listed as "unduplicated pupils" in CALPADS.

Questioned Costs: The dollar impact of this finding is as follows:

School	Impact
Allen (Decima M.) Elementary	$ 836
Belle Air Elementary	209
El Crystal Elementary	627
John Muir Elementary	1,672
Parkside Intermediate	2,925
Portola Elementary	1,254
Rollingwood Elementary	836
Total	$ 8,359

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School	Per CALPADS Report	Adjustment	Adjusted Total
Allen (Decima M.) Elementary	256	-4	252
Belle Air Elementary	242	-1	241
El Crystal Elementary	97	-3	94
John Muir Elementary	106	-8	98
Parkside Intermediate	365	-14	351
Portola Elementary	90	-6	84
Rollingwood Elementary	112	-4	108

No changes to enrollment were identified as a result of testing the unduplicated pupil counts.

Cause: The District did not review the CALPADS data for accuracy during the adjustment window annually and does not have a system of review that provides adequate oversight of this reporting process and ensures appropriate communication between the District Office and various sites.

Recommendation: The District should review all CALPADS data for accuracy during the adjustment window annually and establish a system of review that provide adequate oversight of this reporting process and ensures appropriate communication between the District Office and various sites.

Corrective Action Plan: The District will submit the corrections through the Principal Apportionment Software. Additional training will be given to the staff in charge of CALPADS. Office managers have been given specific procedures to ensure proper identification of EL students.

Section IV – State Award Findings and Questioned Costs (Continued)

Finding 2018-003; 61000 – Classroom Teacher Salaries - Repeat of finding 2017-007

Criteria or Specific Requirements: California Education Code section 41372 requires that elementary school districts with ADA of at least 101 in the previous fiscal year, must have 60% of its current cost of education expended for classroom compensation.

Condition: The District's current cost of education expended for classroom compensation was 56% for the fiscal year ended June 30, 2018. The District's current expense of education for June 30, 2018 was $24,233,882 which left the District deficient by $969,355.

Questioned Costs: None

Effect: The District didn't meet the 60% requirement.

Cause: The District has experienced financial hardships that have made it difficult to meet this compliance requirement. Many districts have cited the amount of one-time funds and not being able to use them for on-going expenses, is a constraint on this requirement. Even though the expenses may be instructional in nature, because they are not salary/benefits, they do not count in the calculation.

Recommendation: The District has already filed an application for exemption. However, the District should continue to monitor this ratio in its future budgets and plan accordingly in order to meet the 60% base requirement.

Corrective Action Plan: The District didn't meet the requirement for 2017-18 fiscal year, but progress has been made to increase the percentage from 52.83% to 56% for 2017-18. The District will continue to make adjustments to move toward the 60% requirement.

Finding 2018-004; 3000 - Associated Student Body (ASB) Accounts

Criteria: Sound accounting practices needed to reduce the risk of fraud and error include the internal controls to ensure tracking of the deposits from initial receipt, recording in the ASB accounting system and reconciling to the bank statements.

Condition: During testing of ASB deposits, the District was unable to provide support regarding the monies deposited to the bank in 4 out of 5 deposits tested.

Questioned Costs: None

Effect: The District's Fiduciary Associated Student Body cash balance may be misstated.

Cause: Due to turnover at one of the District's sites, these files may have been lost.

Recommendation: We recommend the District continue to provide training at each site specifically related to the areas identified above. The District's Business Office should monitor the ASB accounts at each site to ensure that the custodians are following procedure and offer any training or assistance that may be necessary to ensure that controls are operating an acceptable level.

Section IV – State Award Findings and Questioned Costs (Continued)

Corrective Action Plan: The District has purchased the Blue Bear software to account for ASB accounts. The office manager of the middle school attended the workshop presented at the San Mateo County Office of Education. The financial analyst is training the office manager and principal in the new software.

Finding 2018-005; 70000 – Instructional Materials

Criteria or Specific Requirements: California Education Code section 60119 requires the governing board to hold a public hearing or hearings at which the governing board shall encourage participation by parents, teachers, members of the community interest in the affairs of the school district, and bargaining unit leaders for the purpose of making a determination of the sufficiency of the District's textbooks or instructional materials or both. The governing board shall provide a 10 days' notice of the public hearing or hearings.

Condition: The District only provided an 8 days' notice of the public hearing.

Questioned Costs: None

Effect: The District did not provide sufficient time, according to California Education Code noted above, to ensure participation by all parties.

Cause: The District is not in compliance with California Education Code section 60119.

Recommendation: The District should ensure all public hears for California Education Code section 60119 requirements are adhered to.

Corrective Action Plan: The District had submitted the notice for public hearing on September 19 and the meeting was held on September 27, which was only 8 days and not the required 10 days' notice. The District has created a tickler file for the future to ensure the 10 days requirement is met.

Section II – Financial Statement Findings

Finding 2017-001; 30000 – Employee Vacation Tracking

Criteria or Specific Requirements: The District should ensure that all vacation used is correctly recorded.

Condition: During our review of the District's tracking of vacation/sick time earned, used and paid, we noted 1 out of 10 entries tested was incorrect. The employee recorded sick time into Absence Management (AESOP), however the District did not properly record the employee's use of sick time into the District's vacation/sick tracker.

Questioned Costs: None.

Context: Best practices dictate that control risk should ensure that the review process is maintained.

Effect: The value of the sick time is overstated by approximately $360.

Cause: The District did not review the final sick time balances.

Recommendation: We recommend that the District review sick time balances on a periodic basis. The District should spot check and reconcile at least quarterly, if not monthly.

Corrective Action Plan: The District has been working with the County Office of Education to implement a new process to account for sick/vacation balances. This new process was implemented in 2017-18. The staff will reconcile the balances on a monthly basis.

Corrective Action Plan: The District agrees with the findings and recommendation. The will District update its time keeping system to appropriately track and authorize vacation earned, used and the ending balance of vacation owed to all employees. This will be reconciled at least quarterly, if not monthly. All vacation pay-outs will be reviewed and approved by someone independent of the employee for whom the vacation is being paid.

Status: Not implemented, see finding 2018-001.

Section II – Financial Statement Findings (Continued)

Finding 2017-002; 30000 – Classification between Restricted and Unrestricted Resources

Criteria or Specific Requirements: The California Schools Accounting Manual (CSAM) establishes procedures and guidelines that requires certain types of revenue to be recorded and presented as unrestricted and restricted as identified in Education Code and Government Code.

Condition: During our testing, we found that the District incorrectly transferred $530,881 of restricted resources in the General Fund to unrestricted resources in the Special Reserve for Capital Outlay Projects Fund using object 8625 (Redevelopment).

Questioned Costs: None.

Context: The District should establish internal controls to ensure the accuracy and maintain the accountability over all transactions and provide training to staff in relation to those controls. CSAM identifies coding requirements for all school districts within the state of California. The Governmental Accounting Standards Board (GASB) establishes criteria for Generally Accepted Accounting Principles (GAAP).

Effect: This is indicative of a problem with coding expenditures between resources. Also, this could lead to material weaknesses in relation to generally accepted accounting principles and the presentation of the District's financial statements.

Cause: The District did not have a readily available formal written policy and adequate training was not provided to key staff. In addition, there was insufficient oversight related to the accounting function to provide for minimum checks and balances that would be expected. Entries into the accounting system were not reviewed and approved by a person with knowledge of the account structure, other than the person creating the entry or posting a transaction. This error could be the result of a lack of segregation of duties as well.

Recommendation: We recommend that the District implement a process requiring the review of all account coding by major object. A simple analytical comparison from current year to prior year and from current year actuals to budget by resource type should identify any possible coding errors. In addition, all entries into the accounting system should be reviewed and approved by a person with knowledge of the account structure, other than the person creating the entry or posting a transaction. Finally, training in regard to CSAM and school district accounting functions should be provided to all personnel involved in the accounting function. Management should perform an evaluation of all staff responsible for this function to ensure they have the appropriate skill set to perform these tasks at an acceptable level.

Corrective Action Plan: The District moved RDA funds that are not subject to LCFF funds from the General Fund to Fund 40-Special Reserve for Capital Outlay. The funds were posted by the County Office of Education under a restricted resource and the District moved the funds to a restricted fund-Fund 40 which is also restricted for capital outlay. The District will move the funds to a restricted resource within the restricted fund in 2017-18. No federal or state Maintenance of Effort requirements were involved in the transaction.

Status: Implemented.

Section II – Financial Statement Findings (Continued)

Finding 2017-003; 30000 – Human Resources and Payroll Controls

Criteria or Specific Requirements: Internal controls are essential to the effective operation of local governments and school districts. Internal controls are activities or procedures designed to provide reasonable assurance that operations are "going according to plan." Without adequate internal controls, management has little assurance that its goals and objectives will be achieved. Properly designed and functioning controls reduce the likelihood that significant errors or fraud will occur and remain undetected.

Condition: During our documentation and testing of the District's human resources and payroll related internal controls, we identified the following exceptions:

- 2 of 25 employees tested had incomplete I-9's.
- 1 of 25 employees did not have a completed W-4.
- 1 of 25 employee's notice of employment included a step/range that did not tie to the payroll register.

Questioned Costs: None.

Context: In general, school districts should establish internal controls to ensure compliance with labor law and to ensure the accuracy and accountability over payroll related transactions.

***Effect*:** These are control deficiencies similar to prior year which could result in fines from state and federal agencies.

Cause: The District has shown improvements in their oversight over this process and has improved their checks and balances, however the District is still in the process of finalizing their corrective action.

Recommendation: We recommend the District continue to provide training to key staff and improve upon their control processes.

Corrective Action Plan: The District has been working with the County Office of Education to implement new processes and procedures. In 2017-18, a desk manual will be created for the payroll and human resources departments.

Status: Implemented.

Section III – Federal Award Findings and Questioned Costs

Finding 2017-004; 50000 – Allowable Costs/Cost Principles - Documentation of Employee Time and Effort

Federal Program Information: 84.027 - Special Education (2016-17 Grant)

Federal Grantor Agency: 84.027 - Special Education: U.S. Department of Education

Pass-Through Grantor Agency: 84.027 - Special Education: California Department of Education

Criteria or Specific Requirements: Pursuant to *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), employees who work solely on a single federal cost objective must complete a periodic certification that meets the following requirements:

1. Be prepared at least semiannually.
2. Be signed by the employee or supervisory official having firsthand knowledge of the work.
3. Be an actual account of activities performed by the employee.
4. State that the employee worked solely on that single federal program or cost objective during the period covered by the certification.
5. Be an after-the-fact certification of actual effort expended.

Condition: In review of the supporting documentation for federal time accounting for major programs, we noted that 5 out of the 12 selected employees funded from the federal programs did not have their semi-annual certifications for the period December through June 2017 or March through June 2017 completed, signed and approved as required in a timely manner.

Questioned Costs: The potential total questioned costs related to this finding were $108,116.

Context: The District should maintain controls to prevent noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

Effect: The district was not in compliance with Uniform Guidance documentation requirements of salaries and wages charged to federal programs. The District did not have sufficient internal controls in place to allow the District to detect and correct the noncompliance in a timely manner.

Cause: Employees given the responsibility for completing documentation of salaries and wages charged to federal programs did not have a clear understanding of the requirements outlined in Uniform Guidance and the District did not have sufficient controls in place to prevent or detect noncompliance with Uniform Guidance in a timely manner.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2016-009.

Recommendation: We recommend that the District provide training to those charged with responsibility for completing documentation of salaries and wages in compliance with Uniform Guidance and establish procedures to ensure documentation requirements are met.

Corrective Action Plan: The District has created written procedures and has been shared with the accounting staff. More than one staff has a reminder to create the forms to be sent to any staff being funded by federal programs at the appropriate time frame. The accounting for the employees of federal programs was properly done.

Status: Implemented.

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2017-005; 50000 – Subrecipient Special Reporting – Claiming – General Process

Federal Program Information: 10.553 and 10.555 Child Nutrition Cluster

Federal Grantor Agency: Food and Nutrition Services (FNS) of the U.S. Department of Agriculture (USDA)

Pass-Through Grantor Agency: California Department of Education

Criteria or Specific Requirements*:* Pursuant to *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), a final report containing only actual participation data is due 90 days after the close of the report month.

Condition*:* In review of the supporting documentation for School Nutrition Program (SNP) Claim for Reimbursement, we noted the following:

- Claim for August 2016 was submitted past the 90 day requirement so the District did not receive reimbursement for this federal claim of $14,016.50.
- Claim for February 2017 overstated the paid student count for breakfast by 2,083 students. The reimbursement rate for breakfast for paid status students is $0.29 per student for a total over payment of $604.07.

Questioned Costs: None.

Context: The District should maintain controls to prevent noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

Effect: The District was not in compliance with Uniform Guidance reporting requirements for the federal program. The District did not have sufficient internal controls in place to allow the District to detect and correct the noncompliance in a timely manner.

Cause: Employees given the responsibility for completing the SNP Claim for Reimbursement did not have a clear understanding of the requirements outlined in Uniform Guidance and the District did not have sufficient controls in place to prevent or detect noncompliance with Uniform Guidance in a timely manner.

Recommendation: We recommend that the District provide training to those charged with responsibility for completing the SNP Claim for Reimbursement in compliance with Uniform Guidance and establish procedures to ensure requirements are met.

Corrective Action Plan: The District was aware of the submission of the August 2017 claim. This occurred during a time of management change. The claim for February 2017 will be amended and submitted to the state for correction.

Status: Implemented.

Section IV – State Award Findings and Questioned Costs

Finding 2017-006; 40000 – Unduplicated Pupil Counts

Criteria or Specific Requirements: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners (EL), (2) meet income or categorical eligibility requirements for free or reduced-price meals (FRPM) under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the EL students and the CALPADS reporting, we noted that 3 of the 30 students tested were incorrectly listed as EL. These students were reclassified at least 2 years ago, however that change was never made in CALPADS.

During our testing of the FRPM applications and the CALPADS reporting, we noted that 1 of the 30 students tested were incorrectly listed as free. The student's application should have been calculated as reduced, but was listed as free incorrectly. This resulted in an overstatement of FRPM by eligible students.

Questioned Costs: The dollar impact of this finding is as follows:

School	Impact
Parkside Intermediate	$ 1,477
John Muir Elementary	492
Total	1,969

Context: Controls should be in place to ensure accurate classification of students in CALPADS as of Census Day.

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School	Per CALPADS Report	Adjustment	Adjusted Total
Parkside Intermediate	364	-3	361
John Muir Elementary	119	-1	118

No changes to enrollment were identified as a result of testing the unduplicated pupil counts.

Cause: The District did not review the CALPADS data for accuracy during the adjustment window annually and does not have a system of review that provides adequate oversight of this reporting process and ensures appropriate communication between the District Office and various sites.

Section IV – State Award Findings and Questioned Costs (Continued)

Recommendation: The District should review all CALPADS data for accuracy during the adjustment window annually and establish a system of review that provide adequate oversight of this reporting process and ensures appropriate communication between the District Office and various sites.

Corrective Action Plan: The District will correct the reports to reflect the correct reclassification of the three students. Child Nutrition will correct the classification to "reduced" for the one student.

Status: Not Implemented. See finding 2018-002.

Finding 2017-007; 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements: California Education Code section 41372 requires that elementary school districts with ADA of at least 101 in the previous fiscal year, must have 60% of its current cost of education expended for classroom compensation.

Condition: The District's current cost of education expended for classroom compensation was 52.83% for the fiscal year ended June 30, 2017. The District's current expense of education for June 30, 2017 was $24,429,808 which left the District deficient by $1,751,617.

Questioned Costs: None

Context: California Education Code section 41372 requires that elementary school districts with ADA of at least 101 in the previous fiscal year, must have 60% of its current cost of education expended for classroom compensation.

Effect: The District has already filed an application for exemption.

Cause: The District has experienced financial hardships that have made it difficult to meet this compliance requirement. The District understands this requirement, however has maintained an additional admin staff at one of the locations out of necessity.

Recommendation: The District has already filed an application for exemption. However, the District should continue to monitor this ratio in its future budgets and plan accordingly in order to meet the 60% base requirement.

Corrective Action Plan: The District will file for a waiver from the San Mateo County Office of Education.

Status: Not Implemented. See finding 2018-003.

Section IV – State Award Findings and Questioned Costs (Continued)

Finding 2017-008; 40000 – California Uniform Construction Cost Accounting Commission (CUCCAC)

Criteria or Specific Requirements: The District elected to be part of CUCCAC per California Public Contract Code section. Per the requirements of CUCCAC code 22032, the District must use informal bidding process for all public projects of more than $45,000 but less than $175,000.

Condition: The District contracted with a vendor for a playground structure at a cost of $46,964 without an informal or formal bid process.

Questioned Costs: None

Context: Per the requirements of CUCCAC code 22032, the District must use informal bidding process for all public projects of more than $45,000 but less than $175,000.

Effect: The District may have over paid for the playground structure.

Cause: The District anticipated that some of the costs would be paid for by an outside source, leaving the District with a vendor payment of less than $45,000.

Recommendation: The District should ensure that all school locations are trained in the requirements of CUCCAC and ensure that amounts payable by the District are within the threshold of the bid process used.

Corrective Action Plan: The District will ensure that the requirements of CUCCAC are followed.

Status: Implemented.

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION
FOR THE COUNTY OF SAN MATEO

The following information concerning the County of San Mateo (the "County") and the City of San Bruno (the "City") is presented for information purposes only. The following information has been obtained from the sources referenced as of the dates indicated. These sources are believed to be reliable but the information is not guaranteed as to accuracy or completeness, and is not, and should not be construed as, a representation by the District or the Underwriter. The District comprises only a portion of the County. The Bonds are only payable from *ad valorem* property taxes levied on property in the District. The Bonds are not a debt or obligation of the County or the City.

General

The County is located on the California coast south of the City and County of San Francisco and north of Santa Clara County and west of the San Francisco Bay. The County is a major employment base, and is also accessible to the San Jose and Silicon Valley areas south via Interstate 280 or U.S. Highway 101.

The City of San Bruno (the "City") was incorporated in 1914 and comprises approximately 5.5 square miles. The City is located in the San Francisco Bay Area, approximately 12 miles south of San Francisco between the City of South San Francisco and the City of Millbrae. San Francisco International Airport is located within the City.

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Population

The following table summarizes the population of the City, the County and the State in 1990, 2000, 2010 and from 2013 through 2018.

CITY OF SAN BRUNO, SAN MATEO COUNTY AND STATE OF CALIFORNIA
Population Estimates
(As of January 1)

Year	City of San Bruno	San Mateo County	State of California
1990[(1)]	85,619	649,623	29,758,213
2000[(1)]	92,482	707,163	33,873,086
2010[(1)]	41,114	718,451	37,253,956
2013	43,984	745,799	38,234,391
2014	44,311	752,700	38,568,628
2015	45,861	760,343	38,912,464
2016	46,036	766,589	39,179,627
2017	45,965	770,256	39,500,973
2018	46,085	774,155	39,809,693

[(1)] As of April 1.
Source: California Department of Finance.

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Employment and Industry

The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2013 through 2017. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the District.

SAN MATEO COUNTY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2013	2014	2015	2016	2017
Civilian Labor Force (1)	418,100	427,900	437,700	445,400	452,200
Employment	396,100	409,900	422,800	431,900	440,000
Unemployment	22,000	18,000	14,900	13,500	12,200
Unemployment Rate	5.3%	4.2%	3.4%	3.0%	2.7%
Wage and Salary Employment: (2)					
Agriculture	1,700	1,800	1,800	1,800	1,700
Mining, Logging and Construction	14,600	15,700	17,400	18,300	18,900
Manufacturing	25,500	25,500	25,400	25,300	26,300
Wholesale Trade	11,200	11,600	12,200	11,900	11,800
Retail Trade	34,100	34,900	33,700	33,600	33,700
Transportation, Warehousing, Utilities	27,100	27,800	28,200	30,300	31,600
Information	23,800	26,700	27,900	31,600	34,900
Finance and Insurance	14,300	15,400	14,800	15,500	15,800
Real Estate and Rental and Leasing	6,300	6,300	6,800	7,000	6,900
Professional and Business Services	71,200	75,200	76,200	81,400	81,300
Educational and Health Services	40,500	43,000	44,100	45,100	47,200
Leisure and Hospitality	39,400	40,900	42,200	42,600	43,800
Other Services	13,400	13,900	14,000	13,700	13,500
Federal Government	3,600	3,700	3,800	3,800	3,800
State Government	600	600	600	600	600
Local Government	26,200	27,000	27,900	28,500	28,700
Total, All Industries (3)	353,500	369,800	376,900	391,000	400,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department as of March 23, 2018.

Major Employers

The following tables list the major employers within the County in 2018 and the City as of June 30, 2017.

COUNTY OF SAN MATEO
Major Employers
2018
(Listed Alphabetically)

Employer Name	Industry
Electric Charging Station	Research Service
Electronic Arts Inc.	Game Designers
Fisher Investments	Investment Management
Forced Dump Debris Box Service	Garbage Collection
Franklin Templeton Investments	Investments
Genentech Inc.	Biotechnology Products & Services
Gilead Sciences Inc.	Biological Products
Guckenheimer Inc.	Marketing Programs & Services
Kaiser Permanente Redwood City	Physicians & Surgeons
Kaiser Permanente South San Francisco	Hospitals
Loften North America	Mining Companies
Lucile Packard Children's Hospital	Health Care Facilities
Mills-Peninsula Health Services	Health Care Management
Motif Inc.	Business Services
Oracle Corporation	Computer Software-Manufacturers
San Francisco International Airport	Airports
San Mateo County Behavior	Government Offices-County
San Mateo County Medical Center	Hospitals
Sciex LLC	Scientific Apparatus & Instruments
SMC Tax Collector	Tax Return Preparation & Filing
SRI International Inc.	Engineers-Research
Visa Inc.	Credit Card & Other Credit Plans
Visa International Service Association	Credit Card & Other Credit Plans
Visa USA Inc.	Credit Card & Other Credit Plans

Source: America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

CITY OF SAN BRUNO
Major Employers
as of June 20, 2017
(By Employees)

Employer Name	Employees
You Tube, Inc.[(1)]	1,974
Walmart eCommerce	1,400
Skyline College	611
Artichoke Joe's Casino	411
San Bruno Park School District	280
Target Store 1054	280
City of San Bruno	223
Sears, Roebuck & Co [(2)]	177
Lowe's HIW, Inc.	159
JC Penney Co	150

[(1)] Includes full time employees, TVCs and interns.
[(2)] Includes both full and part-time employees.
Source: City of San Bruno Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017.

Commercial Activity

A summary of historic taxable sales in the County and the City through 2016 (the most recent data available) are shown in the following tables.

COUNTY OF SAN MATEO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	11,470	$8,536,043	18,995	$13,020,643
2012	11,748	9,277,144	19,189	13,906,978
2013	12,438	9,935,641	19,808	14,611,618
2014	12,673	10,278,717	19,999	15,298,434
2015	12,992	10,301,197	21,825	15,478,010
2016	12,966	10,394,055	21,899	15,658,573

Source: State Board of Equalization.

CITY OF SAN BRUNO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	589	$570,751	879	$618,839
2012	601	629,961	899	683,520
2013	616	635,525	901	687,850
2014	603	632,178	879	682,331
2015	626	615,106	976	663,199
2016	642	622,130	1,000	669,851

Source: State Board of Equalization.

Construction Activity

Building activity for the calendar years 2013 through 2017 in the County and the City are shown in the following tables.

COUNTY OF SAN MATEO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$292,893.4	$289,903.2	$374,275.5	$367,334.0	$338,186.5
New Multi-family	151,019.5	168,859.5	259,181.0	252,560.4	210,996.5
Res. Alterations/Additions	299,830.5	348,231.2	408,011.2	395,240.9	503,351.5
Total Residential	$743,743.4	$806,993.9	$1,041,467.7	$1,015,135.3	$1,052,534.5
New Commercial	$165,578.7	$432,585.1	$427,063.7	$683,630.1	$1,063,427.0
New Industrial	15,724.2	9,600.0	--	4,954.8	500.0
New Other	58,726.5	84,241.1	94,031.8	195,895.4	279,183.8
Com. Alterations/Additions	263,460.8	490,364.6	489,389.7	728,965.3	1,047,885.6
Total Nonresidential	$503,490.2	$1,016,790.8	$1,010,485.2	$1,613,445.6	$2,390,996.4
New Dwelling Units					
Single Family	350	315	521	458	411
Multiple Family	840	1,302	1,386	1,319	1,169
TOTAL	1,190	1,617	1,907	1,777	1,580

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF SAN BRUNO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$6,088,518	$513,550	$4,623,854	$40,000	$0
New Multi-family	0	0	0	19,164,916	532,210
Res. Alterations/Additions	10,755,064	12,850,979	15,319,222	15,330,909	14,983,461
Total Residential	$16,843,582	$13,364,529	$19,943,076	$34,535,825	$15,515,671
New Commercial	$1,300,000	$924,500	$0	$22,102,220	$3,412,850
New Industrial	0	0	0	0	0
New Other	461,753	530,476	232,431	891,075	535,755
Com. Alterations/Additions	3,994,714	29,461,211	21,712,946	3,132,690	43,716,689
Total Nonresidential	$5,756,467	$30,916,187	$21,945,377	$26,125,985	$47,665,294
New Dwelling Units					
Single Family	14	1	10	1	0
Multiple Family	0	0	0	83	2
TOTAL	14	1	10	84	2

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the San Bruno Park School District (the "District") in connection with the execution and delivery of $25,000,000 aggregate principal amount of the District's General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on December 12, 2018 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Raymond James & Associates, Inc. (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at http://emma.msrb.org/, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated February 6, 2019 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2018, which would be due on April 1, 2019, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted general fund budget for the current fiscal year;

(ii) Assessed valuations, as shown on the most recent equalized assessment roll;

(iii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll; and

(iv) Secured tax charges and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes; or

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: February 21, 2019

SAN BRUNO PARK SCHOOL DISTRICT

By:____
Superintendent

Acceptance of duties as Dissemination Agent:

By:_____________________________________
Isom Advisors,
a Division of Urban Futures, Inc.

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Bruno Park School District

Name of Issue: $25,000,000 General Obligation Bonds, 2018 Election, 2019 Series A

Date of Issuance: February 21, 2019

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated February 21, 2019. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

SAN MATEO COUNTY INVESTMENT POLICY STATEMENT

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SAN MATEO COUNTY

Investment Policy Statement

Calendar Year 2019

Approved by the
San Mateo County Board of Supervisors
Date: January 8, 2019
Resolution: 076371

Table of Contents

SAN MATEO COUNTY

Investment Policy Statement

Calendar Year 2019

I. Introduction

It is the policy of the San Mateo County Treasurer to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants, achieving the highest yield while conforming to all applicable statutes and resolutions governing the investment of public funds.

To meet liquidity and long term investing needs, the County has established the County Investment Pool. This fund is suitable for planned expenditures or capital funds.

II. Delegation of Authority

By Resolution #076370, approved on January 8, 2019, the County Board of Supervisors has delegated to the Treasurer authority to invest and reinvest the funds of the County and other depositors as specified in California Government Code Sections §27000.1 and §53607 for the period calendar year 2019. The Treasurer may delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

III. Policy Statement

This Investment Policy establishes cash management and investment guidelines for the Treasurer, and those to whom he/she delegates investment authority, who are responsible for the stewardship of the San Mateo County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be monitored and judged by the standards of this Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to policy.

The Treasurer will annually render to the Board of Supervisors and any Oversight Committee a statement of investment policy, which the Board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the Board at a public meeting.

IV. Standard of Care

The Treasurer is a fiduciary of the pooled investment fund and therefore subject to the prudent investor standard. The Treasurer, employees involved in the investment process and members of the San Mateo County Treasury Oversight Committee shall refrain from all personal business activities that could conflict with the management of the investment program.

All individuals involved will be required to report all gifts and income in accordance with California state law. (See Section XXI)

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Treasurer, and those to whom he/she delegates investment authority, shall act with due professional care, skill, prudence and diligence taking into consideration circumstances then prevailing, including, but limited to, general economic conditions and anticipated needs of the County and other depositors. This should be accomplished with the care that a prudent person acting in a like capacity would use to safeguard the principal and maintain the liquidity needs of the County and other depositors.

As outlined in the California Government Code Section §27000.3, the standard of prudence to be used by the County investment officers shall be the “prudent investor” standard and shall be applied in the context of managing the portfolio. Investment officers shall act in accordance with written procedures and the investment policy, exercise due diligence, report in a timely fashion, and implement appropriate controls for adverse development.

V. Investment Objectives

The San Mateo County Pool shall be prudently invested in order to preserve principal while earning a reasonable rate of return while awaiting application for governmental purposes. Investments should be made with precision and care considering the safety of the principal investment, as well as the income to be derived from the investment. The specific objectives for the program are ranked in order of importance:

A. Safety of Principal - The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

Credit Risk - Defined as an issuer(s) ability and willingness to repay interest and principal. Credit risk shall be minimized by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants. Credit rating evaluations for all securities are monitored on a consistent basis.
Market Risk - Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities; market risk will be minimized by establishing the maximum Weighted Average Maturity of the pool at three years. The maximum allowable maturity for any instrument in the pool at time of purchase is 7 years (Treasuries and Agencies only). Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

B. Liquidity

The Treasurer’s Office attempts to match maturities with its 15 month projected cash flow. The nature of the planning process behind the cash flow of the pool is relatively predictable and less volatile than is the case of discretionary money.

This allows leeway for some of the underlying investments in the County Pool to maintain a somewhat longer duration.

C. Yield

The County Pool is designed as an income fund to maximize the return on investable funds over various market cycles, consistent with the pool's first priority of safeguarding principal. Yield will be considered only after the basic requirements of safety and liquidity have been met. The County Pool is managed as an income fund whose purpose is to provide its investors with a reasonably predictable level of income, as opposed to a growth fund or fund measured on the basis of total return.

VI. Management Style and Strategy

This policy describes the County's strategic investment objective, risk tolerance and investment constraints. The County Treasurer or designee, at the Treasurer's discretion, prepares an economic outlook and evaluates the capital markets environment. The investment programs reflect a common strategy that is based on conservative principles of fixed income portfolio management consistently applied in a disciplined fashion.

VII. Authorized Investments

Subject to the limitations set forth in California Government Code §53600 et seq. which may be amended from time to time, the Treasurer may invest in the following instruments, subject to the limits described in the following sections. Long-term credit ratings, where shown, specify the minimum credit rating category required at time of purchase without regard to modifiers (e.g. +/- or 1,2,3) if any. As noted previously, all securities purchased shall be regularly monitored and re-evaluated should their ratings be downgraded below the minimum investment grade level required of the Pool. The Treasury Oversight Committee will be notified, within 10 days of any security downgrades that fall below the pool's investment standards and the course of action to be taken if any. In addition, the information will be posted on the Treasurer's website within the same time frame. Decisions regarding the holding of, or the potential sale of, securities are based on factors such as remaining time to maturity and the need for liquidity in the Pool.

Where a percentage limitation of eligible security percentages and maximum maturity is established, for the purpose of determining investment compliance, that maximum amount will be applied on the date of trade settlement. Therefore, depending on the liquidation of other securities and the performance of other securities in the pool, the percentage of the pool of any given security or instrument could exceed the initial percentage limitations without violating the Investment Policy.

A. U.S. Treasury Securities

United States Treasury bills, notes, bond or certificates of indebtedness, for which the full faith and credit of the United States is pledged for the payment of principal and interest. The maximum maturity of U.S. Treasury Securities is 7 years.

B. U.S. Government Agency/GSE (Government Sponsored Enterprise)

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government sponsored enterprise. The maximum percent of the fund per issuer is 40%. The maximum percent of the fund for U.S. Agencies Callables Securities is 25%. U.S. Government Agency/GSE securities must be rated AA, long-term, or A-1, Short-term, or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). The maximum maturity for Agency Securities is 7 years.

C. Commercial Paper

At the time of purchase, commercial paper must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch) and a long term rating of single A or better when applicable. Eligibility is limited to U.S. organized and operating corporations. Corporations must have assets in excess of $5 Billion and have an A rating or better on the issuer's debt other than commercial paper by at least two of the three nationally recognized rating services. Maturities may not exceed 270 days. Purchases of commercial paper will not exceed 40% of the pool's investable money.

D. Negotiable Certificates of Deposit

Negotiable certificates are negotiable money market instruments that trade on the open market. At the time of purchase, negotiable certificates of deposit must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch) and a long term rating of single A or better when applicable. These certificates must be issued by a U.S. National or State chartered bank or state or federal association (as defined by section 5102 of the California Financial Code) or by a state licensed branch of a foreign bank. Eligible foreign banks must have branches or agencies in the U.S. Issuers must be a corporation with total assets in excess of $5 Billion. Purchases of Negotiable Certificates of Deposit will not exceed 30% of the pool.

E. Bankers Acceptance

A Bankers Acceptance (BA) is a draft drawn and accepted by banks that is based upon funds that will pay its face value at maturity. The security is normally traded at a discounted price. Because the accepting institution is obligated to pay for the bill, a Bankers Acceptance is considered less risky than commercial paper.

At the time of purchase, BAs must be rated A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch) and a long term rating of single A or better if applicable. BAs are primarily used to finance international trade. BAs are timed drafts (bills of exchange) drawn on and accepted by a commercial bank Issuers must be a corporation with total assets in excess of $5 Billion. Purchases of Bankers Acceptances will not exceed 15% of the pool for domestic commercial banks and 15% of the pool for foreign commercial banks.

F. Collateralized Time Deposits

Collateralized Certificates of Deposit must comply with Bank Deposit Law. Purchases of Collateralized Certificates of Deposit will not exceed 15% of the pool.

G. Mortgage Backed Securities and Asset Backed Securities

A. Mortgage Backed Securities
The issuer of these securities must be rated "A" or higher and the issue itself must be rated "AA" or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Mortgage Backed Securities and Asset Backed Securities will not exceed 20% of the pool.

The allowable types of Mortgage Backed Securities include the following:

1. U.S. Government Agency Mortgage pass-through securities.
2. Collateralized Mortgage Obligations (CMO) where the underlying mortgages have U.S. government backing.

B. Asset Backed Securities
The issuer of these securities must be rated "AAA" by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Securities shall have a maximum remaining maturity of five years. Combined holdings of Asset Backed Securities and Mortgage backed Securities will not exceed 20% of the pool.

The allowable types of Asset Backed Securities include the following:

1. Equipment lease back certificates.
2. Consumer receivable backed bonds.
3. Auto loan receivable backed bonds.

H. Corporate Securities

The maximum maturity for corporate securities is five years. Eligible securities shall be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. At the time of purchase, corporate securities must be rated A or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Securities in this classification must be dollar denominated and registered with the Securities and Exchange Commission and be publicly traded or at least have undergone shelf registration. If a security is owned and downgraded below the pool's investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool's investment standards and the course of action to be taken if any. In addition, the information will be posted on the Treasurer's website within the same time frame.

Purchases of Corporate Securities shall not exceed 30% of the pool. At the time of purchase a maximum of 25% of the entire core position of 30% can be rated single A by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). The remaining 75% must be AA rated or higher. For purposes of determining compliance with this requirement, a security's rating will be determined by its highest rating by either S&P, Moody's, or Fitch. There is a 5% limitation of the fund in any single issuer of Money Market/Corporate Securities, however, the Pool has a target of holding no more than 3%. The 3% target may be exceeded under exceptional circumstances. (i.e.: peak tax collection periods, G.O. Bond issuances, etc.) when there is a large influx of cash.

I. US Instrumentalities

United States dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Purchases of US Instrumentalities are not to exceed 30% of the pool.

J. CA Municipal Obligations

Registered state warrants or municipal notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. Investments under this subdivision shall be rated "AA" or higher by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Such investments shall have a maximum security of five years or less, and shall not exceed 30% of the pool, 5% per issuer. The foregoing investments shall be limited to the General Obligation (GO) bonds, Tax & Revenue Anticipations Notes (TRANs), or other debt, which is issued by the state of California, the University of California Regents or the California State University Regents.

K. Repurchase Agreements

Repurchase Agreements must be executed with dealers with whom the County has written agreements and are either banking institutions that meet the rating requirements of this policy or dealers who report to the Market Reports Division of the Federal Reserve Bank of N.Y. (Primary Dealers). All transactions must be collateralized at 102% of current value plus accrued interest and must be marked to market daily. The only acceptable collateral for these transactions include Treasuries or Agencies with a maximum maturity of seven years.

For purposes of this authorized investments section, the term “Repurchase Agreement” means a purchase of a security by the County pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified dollar amount and will deliver the underlying securities to the County by book entry. All County pool transactions are conducted through the County custodian on a payment vs. delivery basis. When the transaction is unwound, the transfer of the underlying securities will revert to the counter party’s bank account by book entry. The term “Counter party” means the other party to the transaction with the County. The Counter Party, or its parent, must have a short-term rating of A-1, P-1 or F1 by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). The maximum allowable term of a repurchase agreement shall not exceed 92 days.

L. Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is an investment fund run by the Treasurer of the State of California to pool local agency monies. LAIF will be used as a comparative fund to the County’s pool. The maximum percent of the fund that can be invested is up to the current State limit.

M. Mutual Funds

Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601. Purchases of Mutual Funds will not exceed 10% of the pool.

N. Local Government Investment Pools (LGIPs)

Shares of beneficial interest issued by a joint power’s authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized by the Government Code. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. Purchases are limited to LGIPs that seek to maintain a stable share price and will not exceed 10% of the pool, 5% aggregate.

VIII. Security Lending

Security Lending is a temporary exchange of portfolio assets for acceptable collateral between a lender and an approved borrower. The additional income generated from this transaction can be used to enhance portfolio performance. This process can be summarized in three key steps:

A. The Security Lending agent lends securities from our portfolio to an approved borrower at a negotiated rate. The negotiated rate is dependent upon the level of demand for the securities.

B. The Security Lending agent invests the cash collateral in highly liquid, short duration, high credit quality instruments approved by our investment policy.

C. The earnings generated net of rebates from these transactions are split between the third party agent and the County based on the contract agreement.

Our contract with The Bank of New York requires daily reporting of the securities borrowed, the borrowers, and the short term investments made with the collateral. The County retains the right to recall securities at any given time; cutoffs are 9:30 a.m. eastern standard time for same day recalls of treasuries/agencies and 1:30 p.m. eastern standard time on trade date for corporates. We also require acknowledgement of the County Investment Policy, and check the adherence to that policy daily.

All securities purchased with any funds received as a result of such lending shall be regularly monitored and re-evaluated. Should their ratings fall below the pool's investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool's investment standards and the course of action if any. In addition, the information will be posted on the Treasurer's website within the same time frame.

Additionally, the percentage of the Fund's market value in any one issuer's securities shall be regularly monitored and the Treasury Oversight Committee will be notified within 10 days, and the information posted on the Treasurer's website, of any instances where the percentage of the Fund's market value in any one issuer's securities exceeds the percentage limitations set forth herein or where there is any change in diversification and the course of action, if any.

There are always risks in any financial transaction. The three most common risks in Security Lending are as follows:

A. Borrower Default Risk – Although rare, a borrower may not return a security in a timely manner. To protect against this risk, we require 102% cash collateral, which is marked to market and monitored daily. In the event of borrower default, the Security Lending agent is responsible for replacing the securities or providing the cash value of the securities. In other words, The Bank of New York indemnifies the County of San Mateo against borrower default.

B. Collateral Investment Risk – The value of the securities in which we invest the cash collateral may decline due to fluctuations in interest rates or other market related events. This risk is controlled by investing in a huge investment pool with highly liquid short duration, high credit quality instruments identified in this investment policy.

C. Operational Risks – critical operations, such as maintaining the value of the collateral, collecting interest and dividend payments are essential to a smooth running Security Lending operation. Operational risks are the responsibility of the Security Lending agent. We further mitigate this risk by reviewing all transactions and collateral requirements on a daily basis.

Schedule 1 – Securities Lending

Securities Loans

- No more than 5% of the Pool can be on loan to any single counterparty.
- A single loan shall not exceed 3% of the total portfolio.
- The maximum maturity of a securities loan shall not exceed 92 days.

Collateral

Acceptable Collateral
U.S. Treasuries and Agencies and cash

Collateral Investment
The only authorized investments are shown in the following table. No floating or reset notes are permitted.

“Fund” means actual market value of all securities lending collateral.

INSTRUMENT	RATING	-------------	LIMITATIONS	----------
		% of Fund	% of Fund per Issuer	Maturity
U.S. Treasury Obligations		100	100%	1 year
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100	40% per issuer	1 year
Repurchase agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100	50%	overnight
Bankers Acceptances Domestic Foreign	A-1 / P-1/ F1	 15 15	 5% Aggregate 5% Aggregate	 180 days 180 days
Commercial paper	A-1 / P-1 / F1	40	5% Aggregate	270 days or less

Other

Agent Qualifications
The only acceptable Agent is the Pool’s custodian bank.

Contract Provisions
The Agent must indemnify the Pool against borrower default.

The Agent must acknowledge and accept the Policy in writing. A copy of this acceptance will be attached to future policies.

The Agent must submit monthly reports showing securities out on loan (terms and borrowers), defaults, earnings, and the percent by sector of Pool assets out on loan as well as information on the collateral investments (including market values, income and realized and unrealized gains and losses).

Oversight
The Treasurer shall include copies of the Agent's most recent report with his reports to the Treasury Oversight Committee.

IX. Community Reinvestment Act Program

A. This policy sets aside up to $5 million dollars for investment in banks whose primary operations are located in San Mateo County. Investments from this fund must meet the requirements of this investment policy. Eligible banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with a custodial bank.

X. Diversification and Maturity Restrictions

It is the policy of the Treasurer to diversify the Fund's portfolios. Investments are diversified to minimize the risk of loss resulting in over concentration of assets in a specific maturity, specific issuer or a specific class of securities. Diversification strategies shall be established by the Treasurer and Assistant Treasurer.

INSTRUMENT	RATING	% of Fund	LIMITATIONS % of Fund per Issuer	Maturity
U.S. Treasury Obligations		100%	100%	7 years
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100%	40%	7 years
U.S. Agencies Callables	AA		25%	7 years
Commercial paper (two agencies)	A-1/P-1/ F1	40%	5% Aggregate	270 days or less
Negotiable Certificates of Deposit ($5 billion minimum assets) (two agencies)	A-1/P-1/ F1	30%	5% Aggregate	5 years
Bankers Acceptances *Domestic: ($5 billion minimum assets) *Foreign: ($5 billion minimum assets) (two agencies)	A-1 / P-1/ F1	15% 15%	5% Aggregate 5% Aggregate	180 days 180 days

INSTRUMENT	RATING	% of Fund	LIMITATIONS % of Fund per Issuer	Maturity
Collateralized Time Deposits within the state of CALIFORNIA	A-1/P-1/ F1	15%	5% Aggregate	1 year
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages Asset Backed Securities	A (issuer rated) AA (issue rated) AAA	20% Combined total	5% Aggregate 5% Aggregate	5 Years 5 Years
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	AA/A A	30% 25% of the 30% above	5% Aggregate	5 years
US Instrumentalities	AA	30%		5 Years
CA Municipal Obligations	AA	30%	5% Aggregate	5 Years
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100%	See limitations for Treasuries and Agencies above	92 days
Local Agency Investment Fund (LAIF)			Up to the current state limit	
Shares of beneficial interest issued by diversified management companies as defined in Government Code Section§ 53601(Mutual Funds)	Money Market A-1/P-1	10%	5% Aggregate	
Local Government Investment Pools (LGIPs)		10%	5% Aggregate	

XI. Average Life

The maximum dollar weighted average maturity of the fund will be 3 years. The focus of this fund is in order of priority: preservation of principal, liquidity and then yield. The policy of maintaining a maximum dollar weighted maturity or weighted average maturity (WAM) of 3 years leaves open the flexibility to take advantage of interest rate trends to maximize the return on investment. The imposed maximum 3 year average maturity limits the market risk to levels appropriate to a short, intermediate income fund. The word "Maturity" refers to the instrument's stated legal final redemption date - not coupon reset, put or call dates.

Securities purchased specifically to match the maturity of a bond issue and/or a contractual arrangement must be authorized by California Government Code §53601 and §53635 but are not included in the requirements listed above. Such securities shall be clearly designated in the appropriate investment journals and reports.

XII. Prohibited Transactions

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy and with California Government Code Sections §53601, §53601.1, §53601.2, §53601.6, and §53635, as may be amended from time to time. No investment prohibited by California Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy **at time of purchase** must be documented and approved by the Treasurer in writing. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

The Treasurer shall not leverage the County pool through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by this investment policy.

Security Lending is authorized by this policy and will be limited to a maximum of 20% of the portfolio.

The following transactions are prohibited:

A. Borrowing for investment purposes ("Leverage")

B. Inverse floaters, leveraged floaters, equity-linked securities, event-linked securities, structured investment vehicles (SIV)

Simple "floating rate notes" whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate or LIBOR) and which have a reasonable expectation of maintaining a value at par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips or other callable securities which otherwise meet quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

C. Derivatives (e.g. swaptions, spreads, straddles, caps, floors, collars, etc.) shall be prohibited.

D. Trading of options and futures are prohibited.

XIII. Method of Accounting:

A. For earnings calculations, investments will be carried at original purchase cost (plus purchased accrued interest, if applicable). Premiums or discounts acquired in the purchase of securities will be amortized or accreted over the life of the respective securities. For GASB purposes, investments will be carried at cost and marked to market.

B. Gains or losses from investment sales will be credited or charged to investment income at the time of sale. All interest income, gains/ losses are posted quarterly.

C. Premiums paid for callable securities will be amortized to the 1st call date after purchase.

D. Purchased accrued interest will be capitalized until the first interest payment is received. Upon receipt of the first interest payment, the funds will be used to reduce the investment to its principal cost with the remaining balance credited to investment income.

E. Yield is calculated on an accrual basis using a 365-day calendar year. Earnings are calculated as follows:

$$\frac{\text{(Earnings* + Capital Gains) - (Fees+Amortized Premiums + Capital Losses)}}{\text{Average Daily Pool Balance}}$$

* Earnings equal net interest payments + accrued interest + accreted discounts.

F. The County Pool is operated as a single investment pool. Banking and reporting services required by a participant are charged directly to the participant. All participants are charged an administrative fee.

G. The administrative fee is 9.5 basis points effective July 1, 2018 and will be evaluated annually.

The County Pool Administrative Fee is established annually and is effective July 1 through June 30. The fee is developed to align with the actual administrative cost of managing the pool. Due to variations in the pool size during the fiscal year (such as those caused by the influx of funds from unanticipated school bond issues or voluntary pool participant withdrawals), a true-up of fees collected will take place in the 4th quarter of each fiscal year.

XIV. Safekeeping

All deliverable security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a Delivery-versus-Payment basis (DVP)

All deliverable securities shall be held by a third party custodian designated by the Treasurer. The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity and other pertinent information.

XV. Performance Evaluation

The Treasurer shall submit monthly, quarterly and annual reports, in compliance with Government Code Sections §53607, §53646 and §27134, to the Treasury Oversight Committee, Pool participants and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. This includes the type of investments, name of issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investments Fund's ability to meet the expected expenditure requirements for the next 6 months. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on the treasury for the County's Comprehensive Annual Financial Report.

XVI. Withdrawal Requests for Voluntary Pool Participants

A. Any request to withdraw funds shall be released at no more than 12.5% per month, based on the month-end balance of the prior month.

B. April and December current secured tax apportionments and property tax revenue distributed to Redevelopment Property Tax Trust Funds will be exempt from the 12.5% withdrawal rule, however, these apportionments must be withdrawn in the same month they are received or they will be subjected to the 12.5% withdrawal rule.

C. Any additional withdrawal requests will be considered on a case-by-case basis.

D. All requests for withdrawals must first be made in writing to the Treasurer, at a minimum, 24 hours in advance.

In accordance with the California Government Code § 27136 et seq, and 27133 (h) et seq, these requests are subject to the Treasurer's consideration of the stability and predictability of the pooled investment fund, or the adverse effect on the interests of the other depositors in the pooled investment fund.

XVII. Internal Controls

The County Treasurer shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. The County Treasurer shall also be responsible for ensuring that all investment transactions comply with the County's investment policy and the California Government Code.

The County Treasurer shall establish a process for daily, monthly, quarterly and annual review and monitoring of investment program activity.

Daily, the County Treasurer or authorized treasury personnel shall review the investment activity, as well as corresponding custodial and commercial bank balances and positions for compliance with the investment policy and guidelines. The County Controller's Office shall conduct an annual audit of the investment program's activities. It is to be conducted to determine compliance with the County's investment policy and the Government Code. The audit shall be conducted by staff with experience in auditing large, complex investment programs consistent with industry standards as promulgated by the Global Investment Performance Standards (GIPS) adopted by the CFA Institute Board of Governors.

A. Investment Authority and Responsibility

The responsibility for conducting the County's investment program resides with the Treasurer, who supervises the investment program within the guidelines set forth in this policy. The Treasurer may delegate the authority for day-to-day investment activity to the Assistant Treasurer.

B. County Treasury Oversight Committee

The Board of Supervisors, in consultation with the Treasurer, hereby establishes the County Treasury Oversight Committee pursuant to California Government Code § 27130 et seq. Members of the County Treasury Oversight Committee shall be selected pursuant to California Government Code §27131. The Treasury Oversight Committee will meet at least three times a year to evaluate general strategies and to monitor results and shall include in its discussions the economic outlook, portfolio diversification, maturity structure and potential risks to the County pool's funds. All actions taken by the Treasury Oversight Committee are governed by rules set out in § 27131 et seq. of the California Government Code.

Members of the County Treasury Oversight Committee must pay particular attention to the California Government Code § 27132.1, 27132.2, 27132.3 and 27132.4, which read as follows:

> 27132.1 A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

27132.2 A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

27132.3 A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

27132.4 Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (chapter 9 (commencing with section 54950) of Part 1 of Division 2 of Title 5).

C. Reporting

The Treasurer will prepare a monthly report for the County pool participants and members of the County Treasury Oversight Committee stating, for each investment: the type of investment, name of the issuer, maturity date, par value of the investment, current market value and the securities S&P/Moody's rating. For the total pooled investment fund, the report will list average maturity, effective duration, cost, the current market value, net gains/losses and the sector and issuer concentrations. In addition, the report will break down distribution by maturities, coupon, duration and both S&P/Moody's ratings. The Treasurer shall prepare a monthly cash flow report which sets forth projections for revenue inflows, and interest earnings as compared to the projections for the operating and capital outflows of depositors. This projection shall be for a minimum of 12 months. All Reports will be available on the County Treasurer's website at www.sanmateocountytreasurer.org

D. Annual Audit of Compliance

The County Treasury Oversight Committee shall cause an annual audit to be conducted of the portfolio, procedures, reports and operations related to the County pool in compliance with the California Government Code § 27134.

E. Pool Rating

The Pool strives to maintain the highest credit rating at all times. Annually, a contract may be requested for a rating from one of the three leading nationally recognized credit rating organizations (S&P, Moody's or Fitch).

F. External Investment Advisor

An external investment advisor will be contracted to conduct independent monthly compliance reviews of the County's portfolio holdings and provide a monthly written report which will:

1. Verify the accuracy of holdings information
2. Provide summary level information about the portfolio
3. Verify compliance with California Government Code
4. Verify compliance with the County's written Investment Policy
5. List any exceptions or discrepancies identified

G. Loss Control
While this Investment Policy is based on "the Prudent Investor Rule", the Treasurer shall seek to enhance total portfolio return by means of actively managing the portfolio. In any professionally managed portfolio, occasional controlled losses are inevitable and must be realized and judged within the context of overall portfolio performance. Losses shall be allocated as otherwise described in this policy in section XIII, entitled "Method of Accounting".

H. Credit Quality
Should any investment or financial institution represented in the portfolio, be downgraded by any of the major rating services to a rating below those established in this investment policy, the Treasurer must immediately make an informed decision as to the disposition of that asset and will so advise the County Treasury Oversight Committee. The situation will be monitored daily by the Treasurer until final disposition has been made.

I. Approved Brokers

The Treasurer will maintain a current list of Approved Brokers and Dealers who may conduct business with the County. All financial institutions on the approved list will be evaluated individually, with preference given to primary dealers, who possess a strong capital and credit base appropriate to their operations. The Treasurer will forward a copy of the County Investment Policy to all approved brokers and require written acknowledgment of the policy from the broker.

No broker, brokerage, dealer or securities firm is allowed on the approved list if, within any consecutive 48-month period, they have made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local Treasurer, any member of the governing board of the local agency or any candidate for those offices.

J. Transaction Settlement

Payment of settlement in a securities transaction will be against delivery only. A due bill or other substitution will not be acceptable. All securities purchased from the brokers/dealers must be held in safekeeping by the County's safekeeping agent or designated third party.

K. Internal Controls

The Treasurer has established a system of controls designed to prevent losses of pooled funds due to fraud, employee error, and misrepresentations by third parties, and unanticipated changes in financial markets or imprudent actions by employees of the County. The controls include:

1. Procedures for investment activity which includes separation of duties for transaction authority, accounting and operations and requires clear documentation of activity.

2. Custodial safekeeping as prescribed in California Government Code § 53601.
3. Independent audit, both external and internal.
4. Clear delegation of authority.
5. Written confirmations of all telephone transactions.
6. Establishment of written ethical standards and rules of behavior.

XVIII. Execution of Investment Authority

A. All transactions are documented as to date, time and vendor, signed by the originator and include the following information:

1. Buy or sell
2. Specific description of security involved (CUSIP)
3. Settlement date
4. Price
5. The total amount of funds involved
6. On non-treasury or agency transactions a notation will be made on the transaction ticket of competitive bids and offers
7. Broker/dealer

B. Information in "A" must be provided to the Investment Specialist for the following purpose:

1. To contact the dealer to verify the information on the trade with the dealer's instructions. Any misunderstanding must be clarified prior to settlement.
2. To provide the County's custodian bank with the specifics of the pending transaction to assure a smooth settlement.
3. To compare with the daily custodian transaction report to assure there are no errors.
4. To generate the internal entries necessary for the movement of funds to complete the transaction.
5. To compare with the broker's confirmations when received.

C. At the end of each day, the Investment Specialist summarizes all of the current day transactions in a "Daily Cash Flow Report" available immediately the following morning. This report includes:

1. A summary of all the day's investment transaction
2. A listing of the day's incoming and outgoing wires
3. A listing of the day's state automatics and other deposits received
4. If the pool has "Repos" out, the current earnings rate statement
5. An estimate of the total anticipated clearings for the day

D. A best effort will be made to obtain a minimum of three prices from different brokers before executing a security transaction whenever possible. Exceptions will occur with Treasuries. In those cases the Bloomberg screen will be printed as close to the actual executed price as possible. In the case of money market, agencies or corporate securities, a best effort will be made to obtain differential bids and offers.

E. Repurchase Agreements All Repurchase Agreements with approved dealers will be governed by a Public Securities Association (PSA) agreement that has been approved in writing by the Treasurer.

F. Confirmations resulting from securities purchased or sold under a Repurchase Agreement shall state the exact and complete nomenclature of the underlying securities bought or sold, as well as the term structure (i.e. maturity) of the transaction.

G. Securities on loan and their corresponding investments under the County Security Lending Program must be monitored daily by the Investment Specialist to assure the Assistant Treasurer has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.

H. The assets of the County shall be held in safekeeping by the County's safekeeping agent, or secured through third-party custody and safekeeping procedures. A due bill or other substitution will not be acceptable.

I. Safekeeping procedures shall be reviewed annually by the Treasurer's office and an external auditor. Surprise audits of safekeeping and custodial procedures must be conducted at least once a year.

J. Security Lending: The custodial bank may be authorized to lend out up to 20% of the portfolio within the guidelines of this policy. Guidelines for securities lending and the investment of collateral are attached to this policy as Schedule 1. Securities on loan must be monitored daily by the Treasurer's office to assure that the Treasurer has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.

K. Voluntary Participants will be accepted for participation in the San Mateo County Pooled Fund if they meet the following requirements:

1. A public agency
2. Domiciled in the County of San Mateo.
3. Agree to abide by the approved San Mateo County Pooled Fund Investment Policy Statement.
4. Acknowledge changes to the policy annually in writing and meet the minimum balance requirements (250K).

L. Agencies whose jurisdiction includes San Mateo County, but are not domiciled in San Mateo County, may participate in the San Mateo County Pooled Fund with the approval of the Treasurer and the County Treasury Oversight Committee.

XIX. Disaster Recovery

The San Mateo County Treasurer's Disaster Recovery Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Portable devices have been issued to key personnel for communicating between staff, banks and broker/dealers. The plan includes an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event investment staff is unable to invest the portfolio, the custodial bank will automatically sweep all un-invested cash into a collateralized account at the end of the business day. Union Bank is currently the pools bank.

Should this guarantee program not be extended, a collateralized account will be set up. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy.

XX. Ethics and Conflict of Interest

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions which conduct business with San Mateo County and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of San Mateo County's investment portfolio.

XXI. Limits on Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133, this policy establishes limits for the Treasurer; individuals responsible for management of the portfolios; and members of the Treasury Oversight Committee; select individual investment advisors and broker/dealers who conduct day-to-day investment trading activity.

Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker/dealer,bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual designated in a conflict of interest code may receive aggregate gifts, honoraria and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. Gifts from a single source are subject to a $420 limit. Any violation must be reported to the State Fair Political Practices Commission.

Comparison and Interpretation of Credit Ratings[1]

Long Term Debt Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Best-Quality grade	Aaa	AAA	AAA
High-Quality Grade	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-
Upper Medium Grade	A1 A2 A3	A+ A A-	A+ A A-
Medium Grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
Speculative Grade	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
Low Grade	B1 B2 B3	B+ B B-	B+ B B-
Poor Grade to Default	Caa	CCC+	CCC
In Poor Standing	- -	CCC CCC-	- -
Highly Speculative Default	Ca C	CC -	CC -
Default	- - -	- - D	DDD DD D

Short Term/Commercial Paper Investment Grade Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Superior Capacity	P-1	A-1+/A-1	F1+/F1
Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

[1] These are general credit rating guidelines and are for information only

GLOSSARY OF TERMS

ACCRUED INTEREST

Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

ASSET-BACKED SECURITIES (ABS)

A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. For investors, asset-backed securities are an alternative to investing in corporate debt.

AVERAGE LIFE

The length of time the principal of a debt issue is expected to be outstanding. The average life is an average period before a debt is repaid through amortization or sinking fund payments.

BANKERS' ACCEPTANCE

A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

BASIS POINT

One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

BENCHMARK

A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID

The price at which a buyer offers to buy a security.

BOND

A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is the called the maturity date or maturity. In addition, the issuer of the bond, that is, the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

BOOK VALUE

The value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER

Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALLABLE SECURITIES

An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

COMMERCIAL PAPER

Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

COLLATERALIZED TIME DEPOSITS

An interest-bearing bank deposit that has a specific maturity date.

CORPORATE BOND

A debt security issues by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher, even for top flight credit quality companies.

COUPON RATE

The annual rate of interest payable on a security expressed as a percentage of the principal amount.

COVERED BOND

A covered or mortgage bond is an on-balance sheet obligation of the issuing institution. Typically, a covered bond receives the legal structure, the issuer's backing and the pledge of quality assets, should the issuer fail to qualify for a higher rated bond.

CREDIT RISK

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD

The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSIP NUMBERS

CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DISCOUNT

The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION

Dividing investment funds among a variety of securities offering independent returns.

DURATION

The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

EARNINGS APPORTIONMENT

The quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

EQUITY-LINKED SECURITIES

A hybrid debt instrument that is linked to the equity markets. Equity-linked securities can be in the form of a single stock, a group of stocks or an equity-based index, such as the S&P 500.

EVENT-LINKED SECURITIES

A type of bond whose interest and principal payments are determined based on the non-occurrence of certain events such as an earthquake and hurricane. If an event, usually referred to as a "trigger event", occurs, then the holder of the bond could see a loss of all future interest payments or a loss of most principal.

FAIR VALUE
The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS
Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE
Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC)
This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FIDUCIARY
An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE NOTE
A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

FUTURES
Commodities, which are sold to be delivered at a future date

INTEREST
The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INVERSE FLOATING RATE NOTES
Variable-rate notes whose coupon and value increase as interest rates decrease.

LEVERAGED FLOATER
A security, generally a bond, which has a leverage factor of greater than one and a fixed margin with a variable coupon rate, which is tied to a benchmark interest rate or index.

LIQUIDITY
The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.

LOCAL AGENCY INVESTMENT FUND (LAIF)
The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MARKET RISK
Market risk is the risk that investments will change in value based on changes in general market prices.

MARKET VALUE
The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT
A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY
The date upon which the principal of a security becomes due and payable to the holder.

MONEY MARKET MUTUAL FUND

A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

MORTGAGE-BACKED SECURITIES (MBS)

A type of asset-backed security that is secured by a mortgage or collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by an accredited credit rating agency, an usually pay periodic payments that are similar to coupon payments.

MUNICIPAL BOND

Debt obligation of a state or local government entity

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD)

A negotiable certificate of deposit (NCD) is a certificate of deposit with a minimum face value of $100,000, and they are guaranteed by the bank and can usually be sold in a highly liquid secondary market, but they cannot be cashed in before maturity.

OPTION

A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PAR

The stated maturity value, or face value, of a security.

PAR VALUE

The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

PREMIUM

The amount by which the price paid for a security exceeds the security’s par value.

PRIME RATE

A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

RANGE NOTE

A structured note that provides investors with an above market coupon, but against foregoing coupon payments when the floating rate (LIBOR, typically) breaks outside the boundaries of a specific range.

RATE OF RETURN

The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.

REPURCHASE AGREEMENT OR RP OR REPO

An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

SAFEKEEPING

A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank in the customer’s name.

SECURITIES LENDING

A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SETTLEMENT DATE

The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

STRIPs

Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

STRUCTURED INVESTMENT VEHICLES (SIV)

A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS).

TRADE DATE

The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. AGENCY OBLIGATIONS

Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank and PEFCO.

US INSTRUMENTALITIES

An organization that serves a public purpose and is closely tied to federal and/or state government, but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government.

U.S. TREASURY OBLIGATIONS (TREASURIES)

Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

WEIGHTED AVERAGE MATURITY

The remaining average maturity of all securities held in a portfolio.

YIELD

The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

ZERO-COUPON BOND

A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in St. Paul, Minnesota, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.