NEW ISSUE – BOOK ENTRY ONLY

RATINGS: Bonds: S&P: "AA+"
Moody's: "Aa1"
Notes: S&P: "SP-1+"
Moody's: "MIG 1"
(See "RATINGS" herein.)

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds and the Notes is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Series A-1 Bonds with certain covenants contained in the Resolution authorizing the Series A-1 Bonds, and subject to the matters set forth under "TAX MATTERS" herein, interest on the Series A-1 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 Series A-1 Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. Bond Counsel observes that interest on the Series A-2 Bonds and the Notes is not excluded from gross income for federal income tax purposes. See "TAX MATTERS" herein.

$65,000,000
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
GENERAL OBLIGATION BONDS
(ELECTION OF 2014), SERIES A
comprised of:
$55,000,000 Series A-1 (Tax-Exempt)
$10,000,000 Series A-2 (Federally Taxable)

$79,000,000
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
2019 GENERAL OBLIGATION
BOND ANTICIPATION NOTES
(FEDERALLY TAXABLE)

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

The Los Altos School District (Santa Clara County, California) (the "District") General Obligation Bonds (Election of 2014), $55,000,000 Series A-1 (Tax-Exempt) (the "Series A-1 Bonds") and $10,000,000 Series A-2 (Federally Taxable) (the "Series A-2 Bonds," each, a "Series" and together, the "Bonds"), in the aggregate principal amount of $65,000,000, were authorized at an election of the registered voters of the District held on November 4, 2014, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of $150,000,000 principal amount of general obligation bonds of the District (the "Authorization"). The Bonds are being issued to finance the acquisition of land and the construction, modernization and equipping of District sites and facilities, including redemption of the TRANs (defined herein), and to pay the costs of issuing the Bonds. The Bonds are issued on a parity basis with all other general obligation bonds of the District. See "PLAN OF FINANCING AND REFINANCING" herein.

The District's 2019 General Obligation Bond Anticipation Notes (Federally Taxable) (the "Notes"), in the aggregate principal amount of $79,000,000, were authorized by Education Code section 15150 and are being issued to finance a portion of the acquisition of District sites and to pay the costs of issuing the Notes. See "PLAN OF FINANCING AND REFINANCING" herein.

Interest on the Bonds and the Notes is payable on February 1 and August 1 of each year, commencing February 1, 2020. See ''THE BONDS'' and "THE NOTES" herein.

The Bonds and the Notes will each be issued in book-entry form only, in denominations of $5,000 principal amount or integral multiples thereof. The Bonds and the Notes will each be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds or the Notes. Payments on the Bonds and the Notes will be made by U.S. Bank National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds and the Notes . See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to optional and mandatory redemption prior to maturity. See "THE BONDS – Redemption" herein. **The Notes are subject to optional redemption prior to maturity.** See "THE NOTES – Redemption" herein.

The Bonds and the Notes are general obligations of the District only and are not obligations of the County of Santa Clara (the "County"), the State of California, or any of its other political subdivisions.

The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District, without limitation as to rate or amount (except for certain property which is taxable at limited rates) in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal and premium, if any, and interest on each Bond as the same becomes due and payable.

The Notes are payable from proceeds of the sale of general obligation bonds to be issued pursuant to the Authorization, from proceeds of the sale of bond anticipation notes in renewal of the Notes ("Renewal Notes"), or from other funds of the District lawfully available for the purpose of repaying the Notes, including sale of development rights relating to certain District real property being acquired with the Notes, and/or State grants. The District has covenanted in its resolution authorizing the issuance of the Notes that, not later than 30 days prior to the maturity date for the Notes, the District shall sell, or cause to be sold, Bonds, Renewal Notes, certificates of participation, or a combination thereof, in an amount sufficient, together with any available moneys, to pay the principal and redemption price of and interest on the Notes. See "THE NOTES – Security and Sources of Payment" herein.

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.

MATURITY SCHEDULE
(see inside front cover pages)

The Bonds are offered when, as and if issued, and received by the Underwriters subject to the approval as to their legality by Dannis Woliver Kelley, San Diego, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, San Diego, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed on for the Underwriters by 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 October 17, 2019.

RAYMOND JAMES

BARCLAYS

The Date of this Official Statement is: September 26, 2019

MATURITY SCHEDULE

$65,000,000
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
GENERAL OBLIGATION BONDS (ELECTION OF 2014),
SERIES A

Comprised of:

$55,000,000 Series A-1 (Tax-Exempt)
$10,000,000 Series A-2 (Federally Taxable)

Base CUSIP†: 544290

$41,415,000 Series A-1 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2023	$2,000,000	4.000%	1.030%	HF9
2024	850,000	4.000	1.050	HG7
2025	1,000,000	4.000	1.060	HH5
2026	1,070,000	4.000	1.090	HJ1
2027	1,230,000	4.000	1.130	HK8
2028	1,370,000	4.000	1.200 [C]	HL6
2029	1,520,000	4.000	1.250 [C]	HM4
2030	1,675,000	4.000	1.330 [C]	HN2
2031	1,845,000	4.000	1.430 [C]	HP7
2032	2,020,000	3.000	1.970 [C]	HQ5
2033	2,185,000	3.000	2.060 [C]	HR3
2034	2,360,000	3.000	2.150 [C]	HS1
2035	2,545,000	3.000	2.240 [C]	HT9
2036	2,735,000	3.000	2.330 [C]	HU6
2037	2,940,000	3.000	2.400 [C]	HV4
2038	3,150,000	3.000	2.460 [C]	HW2
2039	3,370,000	4.000	2.180 [C]	HX0
2040	3,635,000	4.000	2.210 [C]	JD2
2041	3,915,000	4.000	2.240 [C]	JE0

$13,585,000 4.000% Series A-1 Term Bonds due August 1, 2044 Yield 2.330% [C] CUSIP† Suffix: HY8

$10,000,000 Series A-2 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2021	$6,500,000	1.877%	1.877%	JA8
2022	3,500,000	1.896	1.896	JB6

[C] Yield to call date of August 1, 2027.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter, and are included solely for the convenience of the registered owners of the applicable Bonds. None of the Underwriter, the Municipal Advisor or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MATURITY SCHEDULE

$79,000,000
LOS ALTOS SCHOOL DISTRICT
2019 GENERAL OBLIGATION BONDS ANTICIPATION NOTES (FEDERALLY TAXABLE)

Base CUSIP†: 544290

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2022	$19,000,000	2.086%	2.086%	JF7
2023	60,000,000	2.143	2.183	JC4

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter, and are included solely for the convenience of the registered owners of the applicable Bonds. None of the Underwriter, the Municipal Advisor or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. 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.

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

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

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

Although certain information set forth in this Official Statement has been provided by the County of Santa Clara, the County of Santa Clara has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

In connection with this offering, the Underwriters 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 Underwriters may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

LOS ALTOS SCHOOL DISTRICT
Santa Clara County, State of California

Board of Trustees

Jessica Speiser, *President*
Bryan Johnson, *Vice President*
Vaishali Sirkay, *Clerk*
Vladimir Ivanovic, *Member*
Steven Taglio, *Member*

District Administrators

Jeffrey C. Baier, *Superintendent*
Randall A. Kenyon, Jr., *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
San Diego, California

Financial Advisor

PFM Financial Advisors, LLC
San Francisco, California

Transfer Agent, Registration Agent and Paying Agent

U.S. Bank National Association
San Francisco, California

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$65,000,000
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
GENERAL OBLIGATION BONDS
(ELECTION OF 2014), SERIES A

Comprised of:

$55,000,000 Series A-1 (Tax-Exempt)
$10,000,000 Series A-2 (Federally Taxable)

$79,000,000
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
2019 GENERAL OBLIGATION
BOND ANTICIPATION NOTES
(FEDERALLY TAXABLE)

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 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 and the Notes to potential investors is made only by means of the entire Official Statement.

General

The Los Altos School District (the "District") proposes to issue $65,000,000 aggregate principal amount of its General Obligation Bonds (Election of 2014), Series A (collectively, the "Bonds"), comprised of the $55,000,000 Series A-1 (Tax Exempt) (the "Series A-1 Bonds") and $10,000,000 Series A-2 (Federally Taxable) (the "Series A-2 Bonds"), under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of not more than $150,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the measure at a general election held on November 4, 2014 (the "Election"). The Bonds are the first series of general obligation bonds to be issued under the Authorization. Subsequent to the issuance of the Bonds, $85,000,000 principal amount of general obligation bonds will remain for issuance pursuant to the Authorization.

The District also proposes to issue $79,000,000 aggregate principal amount of its 2019 General Obligation Bond Anticipation Notes (Federally Taxable) (the "Notes").

The District

The District was formed in 1909 and encompasses approximately 21 square miles in the northwest region of Santa Clara County (the "County"). The District consists of the cities of Los Altos, Los Altos Hills, a portion of Palo Alto, the southern portion of Mountain View, and certain unincorporated areas between Los Altos and Palo Alto in the County. The District provides education services in seven elementary schools and two middle schools. The CBEDS actual enrollment in the District for 2018-19 was 4,242 students and the budgeted enrollment for the District for 2019-20 is 4,107 students. The District has a 2019-20 secured assessed valuation of $25,752,266,169. The District is a "basic aid" or "community-funded" school district, meaning it has allocable local property tax collections that equal or exceed its total allocation under the Local Control Funding Formula, which results in the receipt of no State apportionment aid. The audited financial statements for the District, as part of the Comprehensive Annual Financial Report, for the fiscal year ended June 30, 2018, are attached hereto as APPENDIX C. See "THE DISTRICT" and "TAX BASE OF THE DISTRICT" herein.

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

Purpose of Issues

The Bonds are being issued, together with other available District funds, to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and to redeem certain of the outstanding 2019 Tax and Revenue Anticipation Notes, Series B ("TRANs"), the proceeds of which paid at maturity the 2016 Bond Anticipation Notes, in the principal amount of $10,000,000, comprised of the $5,000,000 Subseries A Note, the $2,500,000 Subseries B Note, and the $2,500,000 Subseries C Note (collectively, the "Prior Notes") and (ii) pay all legal, financial and contingent costs in connection with the issuance of the Bonds. The Notes are being issued to (i) finance a portion of the acquisition of District sites and (ii) pay all legal, financial and contingent costs in connection with the issuance of the Notes. See "PLAN OF FINANCING AND REFINANCING" below.

Authority for Issuance of the Bonds and the Notes

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board. The County has adopted a resolution pursuant to Section 15140(b) of the State Education Code on January 15, 2019 that authorizes the District to issue the Bonds on its own behalf. See "THE BONDS – Authority for Issuance" herein. The Bonds are issued on a parity basis with all general obligation bonds of the District. The Notes are issued pursuant to State Education Code, Section 15150, and other applicable law, and pursuant to a resolution adopted by the Board. See "THE NOTES – Authority for Issuance" herein.

Registration

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

Security and Sources of Payment for the Bonds and the Notes

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

The Notes are payable from proceeds of the sale of general obligation bonds to be issued pursuant to the Authorization, from proceeds of the sale of bond anticipation notes in renewal of the Notes ("Renewal Notes"), or from other funds of the District lawfully available for the purpose of repaying the Notes, including sale of development rights relating to certain District real property being acquired with

the Notes. The District has covenanted in its resolution authorizing the issuance of the Notes that, not later than 30 days prior to the maturity date for the Notes, the District shall sell, or cause to be sold, Bonds, Renewal Notes, certificates of participation, or a combination thereof, in an amount sufficient, together with any available moneys, to pay the principal and redemption price of and interest on the Notes. See "THE NOTES – Security and Sources of Payment" and " – Risk Factors" herein.

Redemption

The Bonds maturing on or after August 1, 2028 are subject to optional redemption prior to their respective stated maturity dates, as a whole or in part, as described herein. The Bonds are further subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Redemption" herein.

The Notes are subject to optional redemption prior to maturity, as a whole or in part, as described herein. See "THE NOTES – Redemption" herein.

Tax Matters

In the opinion of Dannis Woliver Kelley, San Diego, California, Bond Counsel, subject, however to the qualifications described herein, under existing law, the interest on the Series A-1 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on the owners thereof. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.

Continuing Disclosure

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

Closing

The Bonds and the Notes are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds and the Notes, each in book-entry form, will be available for delivery through the facilities of DTC on or about October 17, 2019. See "UNDERWRITING" herein.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code (the "Bond Act"), Article XIIIA of the State Constitution and pursuant to a resolution adopted by the Board on December 17, 2018 (the "Bond Resolution"). The County adopted a resolution pursuant to Section 15140(b) of the State Education Code on January 15, 2019 that authorizes the District to issue the Bonds on its own behalf.

The District received authorization at an election held on November 4, 2014 (the "Authorization"), at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of $150,000,000 principal amount of general obligation bonds of the District. The Bonds represent the first series of bonds issued pursuant to the Authorization. Following the issuance of the Bonds, $85,000,000 of the Authorization will remain.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that such reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future.

Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein), which is required to be segregated and maintained by the County and which is designated for the payment, when due, of the principal of and interest on the Bonds, and for no other purpose. Pursuant to the Bond Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, none of the Bonds are a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the 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, fire, drought or

toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien. Pursuant to State Government Code Section 53515, 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.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 2016 and payable, both as to principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIIIA of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Description of the Bonds

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Purchasers will not receive certificates representing their interests in the Bonds. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of a Bond Payment Date, in which event it will bear interest from such date, or (ii) it is registered and authenticated prior to a Bond Payment Date and after the close of business on the fifteenth day of the month preceding such Bond Payment Date, in which event it will bear interest from such Bond Payment Date, or (iii) it is registered and authenticated on or before July 15, 2019, in which event it will bear interest from the Date of Delivery; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment thereon. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment. The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent.

The interest on the Bonds will be payable on each Bond Payment Date in lawful money of the United States of America to the Owner thereof as of the 15th day of the calendar month immediately preceding such Bond Payment Date (each a "Record Date"), such interest to be paid by check or draft

mailed on such Bond Payment Date (if a business day, or on the next business day if the Bond Payment Date does not fall on a business day) to such Owner at such Owner's address as it appears on the Registration Books or at such address as the Owner may have filed with the Paying Agent for that purpose except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Bond Payment Date. See "APPENDIX E - BOOK-ENTRY ONLY SYSTEM" herein.

Annual Debt Service

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

Period Ending (August 1)	Annual Principal Payment	Annual Interest Payment[(1)]	Total Debt Service
2020	--	$ 1,742,667.39	$ 1,742,667.39
2021	$ 6,500,000.00	2,209,015.00	8,709,015.00
2022	3,500,000.00	2,087,010.00	5,587,010.00
2023	2,000,000.00	2,020,650.00	4,020,650.00
2024	850,000.00	1,940,650.00	2,790,650.00
2025	1,000,000.00	1,906,650.00	2,906,650.00
2026	1,070,000.00	1,866,650.00	2,936,650.00
2027	1,230,000.00	1,823,850.00	3,053,850.00
2028	1,370,000.00	1,774,650.00	3,144,650.00
2029	1,520,000.00	1,719,850.00	3,239,850.00
2030	1,675,000.00	1,659,050.00	3,334,050.00
2031	1,845,000.00	1,592,050.00	3,437,050.00
2032	2,020,000.00	1,518,250.00	3,538,250.00
2033	2,185,000.00	1,457,650.00	3,642,650.00
2034	2,360,000.00	1,392,100.00	3,752,100.00
2035	2,545,000.00	1,321,300.00	3,866,300.00
2036	2,735,000.00	1,244,950.00	3,979,950.00
2037	2,940,000.00	1,162,900.00	4,102,900.00
2038	3,150,000.00	1,074,700.00	4,224,700.00
2039	3,370,000.00	980,200.00	4,350,200.00
2040	3,635,000.00	845,400.00	4,480,400.00
2041	3,915,000.00	700,000.00	4,615,000.00
2042	4,210,000.00	543,400.00	4,753,400.00
2043	4,525,000.00	375,000.00	4,900,000.00
2044	4,850,000.00	194,000.00	5,044,000.00
Totals	**$65,000,000.00**	**$35,152,592.39**	**$100,152,592.39**

(1) Interest payments will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2020.

See "DISTRICT FINANCIAL INFORMATION – Certain Existing Obligations – General Obligation Bonds" herein for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the acquisition of land, and construction, modernization and equipping of District sites and facilities and to pay the costs of issuance of the Bonds.

Building Fund. The net proceeds of the sale of the Bonds shall be deposited in the Los Altos School District General Obligation Bonds, Election of 2014, Series A Building Fund (the "Building Fund") and will be applied solely for the purposes approved by the voters of the District pursuant to the Authorization. Any interest earnings on moneys held in the Building Fund shall be retained in the Building Fund. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds.

Debt Service Fund. Any premium or accrued interest received by the District on the sale of the Bonds shall be deposited in the fund held by the County and known as the "Los Altos School District General Obligation Bonds, Election of 2014, Series A Debt Service Fund" (the "Debt Service Fund"). Any interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Bond Proceeds. Moneys in the Building Fund and the Debt Service Fund are expected to be invested through the County Investment Pool. See "APPENDIX F – COUNTY INVESTMENT POOL" attached hereto.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2027 are not subject to redemption. The Bonds maturing on or after August 1, 2028 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 2027, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Redemption. The Series A-1 Bonds maturing on August 1, 2044 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2042, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Series A-1 Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount to be Redeemed**
2042	$4,210,000
2043	4,525,000
2044[(1)]	4,850,000
Total	$13,585,000

[(1)] Maturity.

In the event that a portion of the Series A-1 Bonds maturing on August 1, 2044 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 Series A-1 Bonds optionally redeemed.

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

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

Notice of redemption will be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered Owner of the Bonds, or if the registered Owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository, such as the Securities Depositories and to a national information service that disseminates securities redemption notices, such as Information Services and by first class mail, postage prepaid, to the District and the respective Owners of any registered Bonds designated for redemption at their addresses appearing on the Bond Register, in every case at least twenty (20) days, but not more than forty-five (45) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

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

"Information Services" means the Electronic Municipal Market Access System ("EMMA"), a facility of the Municipal Securities Rulemaking Board, or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Bonds.

"Securities Depository" means The Depository Trust Company, New York, New York.

Right to Rescind Notice of Redemption for the Bonds. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust for such purpose

in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption.

Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

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

Effect of Notice of Redemption for the Bonds. Notice having been given as provided above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Bond Resolution, together with interest to such redemption date, shall be held irrevocably in trust so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as provided above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent or an independent escrow agent selected by the District for the redemption of Bonds shall be held in trust for the account of the registered Owners of the Bonds so redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the Bond Resolution shall be canceled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be canceled by the Paying Agent.

Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of the Bond Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by or on behalf of the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, all as provided in the Bond Resolution, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash: by irrevocably depositing in trust with an independent escrow agent selected by the District, lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given pursuant to the Bond Resolution or provision satisfactory to the escrow agent has been made for giving such notice, the amount to be deposited or held will be the

principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Federal Securities: by irrevocably depositing in trust with an independent escrow agent selected by the District, Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent or an escrow agent has been made for the giving of such notice; provided, in each case, that the Paying Agent or escrow agent has been irrevocably instructed (by the terms of the Bond Resolution or by request of the District) to apply such money to the payment of such principal or redemption price of and interest on such Bonds.

"Federal Securities" means United States Treasury notes, bonds, bills, or certificates of indebtedness for which the full faith and credit of the United States are pledged to the payment of principal and interest thereon.

THE NOTES

Authority for Issuance

The Notes are being issued under the authority of Title 1, Division 1, Part 10, Chapter 1, Article 3 of the Education Code of the State of California (comprising Sections 15150 *et seq*.) (the "Note Act") and pursuant to a resolution adopted by the Board on December 17, 2018 (the "Note Resolution" and together with the Bond Resolution, the "Resolutions").

The District has not yet issued any general obligation bonds under the Authorization but intends to issue the Bonds described in this Official Statement concurrently with the Notes. The District may issue the Notes in a principal amount not exceeding, at any one time, the principal amount of unsold bonds remaining under the Authorization. Following the issuance of the Bonds, $85,000,000 of the Authorization will remain, taking into consideration issuance of the Bonds and payment at maturity of the Prior Notes with proceeds of the TRANs.

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Security and Sources of Payment

The Notes are obligations of the District payable from proceeds of the sale of general obligation bonds to be issued pursuant to the Authorization, from proceeds of the sale of bond anticipation notes in renewal of the Notes ("Renewal Notes"), or from other funds of the District lawfully available for the purpose of repaying the Notes, including sale of development rights relating to certain District real property being acquired with the Notes. The District has covenanted in the Note Resolution that, not later than 30 days prior to the maturity date for the Notes, the District shall sell, or cause to be sold, Bonds, Renewal Notes, certificates of participation, or a combination thereof, in an amount sufficient, together with any available moneys, to pay the principal and redemption price of and interest on the Notes.

Statutory Lien. Pursuant to Section 53515 of the State Government Code, effective January 1, 2016 and added by California Senate Bill 222 (2015), general obligation bonds are 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 such general obligation 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. Any Bonds issued to pay the Notes will be secured by such statutory lien on the *ad valorem* taxes collected to pay the principal of and interest on such Bonds.

Risk Factors Related to the Notes

There are certain risks to investors inherent in the purchase of the Notes. The following factors, along with the other information provided in this Official Statement, should be considered by potential investors in evaluating a purchase of Notes. The following, however, do not purport to be an exhaustive listing of risks and other considerations that may be relevant to an investment in the Notes. The following factors are not presented in a priority reflective of their importance or significance to investors.

Insufficient Bonding Capacity. California law provides that the total amount of general obligation bonds issued by the District may not exceed 1.25% of the total taxable property within the District as shown by the last equalized assessment of the County, i.e. its assessed valuation as described below. Such limitation is referred to as the District's bonding capacity. In fiscal year 2019-20, the District's gross bonding capacity is approximately $321.9 million. See "TAX BASE OF THE DISTRICT – Assessed Valuation" herein. The District's outstanding bonded debt as of October 1, 2019 is $33.35 million. See "TAX BASE OF THE DISTRICT – Statement of Direct and Overlapping Debt" herein. The principal amount of the Notes is not included in the calculation of outstanding bonded indebtedness for purposes of bonding capacity. Upon issuance of the Bonds, the District's net bonding capacity will be approximately $223.5 million. In the event that assessed valuation decreases on or before the maturity date for the Notes to cause a corresponding decrease in the District's bonding capacity not permitting the District to issue Bonds in an amount sufficient to pay the Notes without exceeding its bonding capacity, the District may apply to the State Board of Education (the "State Board") for a waiver of its bonding capacity to an amount that would permit the District to issue Bonds in a sufficient amount to repay the Notes.

Based on current projections, the District anticipates that it will be able to issue Bonds under the Authorization in an amount sufficient to pay the Notes on or before the maturity date for the Notes but no assurances can be given that assessed valuation in the District will not change. See, also, "—Waiver

Process" herein. Alternatively, the District is permitted to pay the Notes from the issuance of Renewal Notes, the sale of certificates of participation, other available moneys, or a combination thereof.

Waiver Process. The District may apply for a waiver of the statutory limitation as to bonding capacity ("Waiver") from the State Board, pursuant to Education Code Section 33050 *et seq*., to enable the District to issue Bonds pursuant to the Authorization in an amount sufficient to pay the Notes on the maturity date for the Notes. The process to obtain approval of a Waiver can take several months and has certain prerequisites to be fulfilled by the District, such as consultation with certain employee bargaining groups and conducting a public hearing. If a Waiver is granted by the State Board, the Waiver will likely contain various conditions as to its terms, such as expiration date and limitations on amount of bonds that may be issued in excess of the statutory limits. In the event the District seeks to obtain a Waiver but fails to obtain one, the District has covenanted to pay the maturing Notes from the issuance of Renewal Notes, the sale of certificates of participation, other available moneys, or a combination thereof. See "– Security and Sources of Payment" herein.

Inadequate or Slow Growth or Reductions in Assessed Valuation. No assessed valuation growth between the date of issuance and the maturity date of the Notes will be necessary for the District to be able to issue its remaining authorization for the Bonds in an amount sufficient to repay the Notes. See, "—Insufficient Bonding Capacity" above. Over the last 5 fiscal years, assessed value has grown at an average annual rate of 7.65%. See "TAX BASE OF THE DISTRICT – Assessed Valuation" for more information regarding the current and historic assessed valuation within the District. Economic factors beyond the control of the District, however, such as successful appeals by property owners for reductions in assessed valuation of their properties, destruction of or damage to real property caused by natural forces, including fire, flood and earthquake, and other factors, could cause slower growth than in recent years or even a significant reduction in the assessed valuation within the District as a whole. Those circumstances could further decrease the ability of the District to issue general obligation bonds under applicable provisions of the California Constitution in an amount sufficient to pay the Notes by a date prior to their maturity. See "—Tax Rate Levy Limitations under Proposition 39" herein. Without sufficient assessed valuation, and in the absence of a Waiver, the District would be obligated and is prepared to pay the Notes from the issuance of Renewal Notes, the sale of certificates of participation or other available moneys, or a combination thereof.

Other factors could affect the ability of the District to issue the Bonds or other forms of debt to provide for the repayment of the Notes. These factors include the financial condition of the District at the time it institutes proceedings to issue such obligations, the presence of conditions prevailing in the bond market which could make it difficult or impossible for the District to issue such obligations, and the difficulty of obtaining municipal bond insurance or other credit enhancement. No assurances can be given that the District will be able to issue obligations when and as required to provide for payment of the principal and redemption price of and interest on the Notes on the maturity date for the Notes. Alternatively, the District is permitted to pay the principal and redemption price of and interest on the Notes from the issuance of Renewal Notes, the sale of certificates of participation, other available moneys, or a combination thereof.

Initiatives Affecting Assessed Valuation. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value (for real property that has not changed ownership or undergone certain renovations or improvements) may be adjusted from year-to-year to reflect the inflationary rate, not to exceed a 2% increase for any given calendar year, or may be reduced to reflect a reduction in the consumer price index or comparable local data.

Article XIIIA was adopted pursuant to the constitutional initiative process in the State. From time to time, other initiative measures are adopted by the voters in California, and it may be possible that a

future initiative might alter the taxable value, reduce the permitted property tax rate or broaden property tax exemptions, further eroding the ability of the District to access the Authorization prior to the final maturity of the Notes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Tax Rate Levy Limitations under Proposition 39. Proposition 39, including the "Strict Accountability in Local School Construction Bonds Act of 2000," set forth at Section 15264 *et seq*. of the Education Code, sets forth limits on the ability of school districts to issue their authorized general obligation bonds. Proposition 39 provides that the District may not issue general obligation bonds unless the combined tax rate for all general obligation bonds issued under the Authorization is estimated to not exceed $30 per $100,000 of assessed valuation. At the time the Notes mature, circumstances may be such that compliance with the tax rate maximum established by statues enacted under Proposition 39 would prevent the issuance of the Bonds in an amount sufficient to pay off all or a portion of the maturing Notes. See "—Inadequate or Slow Growth or Reductions in Assessed Valuation" herein. A delay in the ability of the District to issue Bonds under the Authorization would require the District to identify other sources of funds to pay the maturing Notes.

Sources of Repayment; Limitation as to Term. The Notes are being issued pursuant to the Note Act, which prescribes the sources of repayment thereof and the maximum term of the Notes. Under the Note Act, the Notes, together with any Renewal Notes, may have a maximum term of five years from the date of initial issuance thereof. Upon maturity, and pursuant to the Note Resolution, the District has covenanted to deliver Bonds, Renewal Notes, certificates of participation, or a combination thereof, in an amount sufficient to pay the principal and redemption price of and interest on the Notes. The Notes will mature on the maturity date for the Notes (as shown on the inside front cover page), and as such could be renewed for an additional one year pursuant to the Note Act.

Legislation Regarding Capital Appreciation Bonds. State Assembly Bill 182 (Stats. 2013, Chapter 477) ("AB 182") was approved by the Governor of California on October 2, 2013, and took effect on January 1, 2014. AB 182 places restrictions on a school district's ability to issue capital appreciation bonds and convertible capital appreciation bonds, including, among other restrictions, limitations with respect to the maximum term of such bonds and the maximum ratio of total debt service to principal for each bond series. If the Bonds issued to pay all or a portion of the Notes at maturity are issued as capital appreciation bonds and/or convertible capital appreciation bonds such Bonds will be issued in compliance with AB 182.

Other Factors Limiting the Issuance of District Obligations to Pay the Notes. In addition to the slow growth of or reductions to the District's assessed valuation, other factors could make it difficult or impossible for the District to issue Bonds or other obligations to pay the maturing Notes, including, but not limited to, the general financial condition of the District at the time it institutes proceedings to issue such obligations or the condition of the prevailing municipal securities market. No assurances can be given that the District will be able to issue any such obligations when and as required to provide for the payment of the Notes at maturity.

Description of the Notes

The Notes will be dated the Date of Delivery and will mature on August 1, 2023. The Notes will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Purchasers will not receive certificates representing their interests in the Notes.

Interest on the Notes accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020. Interest on the Notes shall be

computed on the basis of a 360-day year of twelve 30-day months. Each Note will bear interest from the Note Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of a Note Payment Date, in which event it will bear interest from such date, or (ii) it is registered and authenticated prior to a Note Payment Date and after the close of business on the fifteenth day of the month preceding such Note Payment Date, in which event it will bear interest from such Note Payment Date, or (iii) it is registered and authenticated on or before July 15, 2019, in which event it will bear interest from the Date of Delivery; provided, however, that if at the time of authentication of a Note, interest is in default thereon, such Note will bear interest from the Note Payment Date to which interest has previously been paid or made available for payment thereon. The Notes are issuable in denominations of five thousand dollars ($5,000) principal amount or any integral multiple thereof.

Payment. The principal of the Notes will be payable on in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent.

The interest on the Notes will be payable on each Note Payment Date in lawful money of the United States of America to the Owner thereof as of the Record Date, such interest to be paid by check or draft mailed on such Note Payment Date (if a business day, or on the next business day if the Note Payment Date does not fall on a business day) to such Owner at such Owner's address as it appears on the Registration Books or at such address as the Owner may have filed with the Paying Agent for that purpose except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Note Payment Date. See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption. The Notes are subject to redemption prior to maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 2020, at a redemption price equal to the principal amount of the Notes called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

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

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

Notice of redemption will be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered Owner of the Notes, or if the registered Owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository, such as the Securities Depositories and to a national information service that disseminates securities redemption notices, such as Information Services and by first class mail, postage prepaid, to the District and the respective Owners of any registered Notes designated for redemption at their addresses appearing on the Note Register, in every case at least twenty (20) days, but not more than forty-five (45) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Notes.

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

Right to Rescind Notice of Redemption for the Notes. 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 Notes so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Notes 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 Note 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.

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

Effect of Notice of Redemption for the Notes. Notice having been given as provided above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Notes to be redeemed will become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Notes to be redeemed as provided in the Note Resolution, together with interest to such redemption date, shall be held irrevocably in trust so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as provided above, then from and after such redemption date, interest with respect to the Notes to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent or an independent escrow agent selected by the District for the redemption of Notes shall be held in trust for the account of the registered Owners of the Notes so redeemed.

All Notes paid at maturity or redeemed prior to maturity pursuant to the Note Resolution shall be canceled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Note purchased by the District shall be canceled by the Paying Agent.

Notes (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of the Note Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, with sufficient moneys held by or on behalf of the Paying Agent irrevocably in trust for the payment of the redemption price of such Notes or portions thereof, all as provided in the Note Resolution, will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

All or any portion of the outstanding maturities of the Notes may be defeased at any time prior to maturity in the following ways:

(a) Cash: by irrevocably depositing in trust with an independent escrow agent selected by the District, lawful money of the United States of America in an amount equal to the principal amount of such Notes and all unpaid interest thereon to maturity, except that, in the case of Notes which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given pursuant to the Note Resolution or provision satisfactory to the escrow agent has been made for giving such notice, the amount to be deposited or held will be the principal amount or redemption price of such Notes and all unpaid interest thereon to the redemption date; or

(b) Federal Securities: by irrevocably depositing in trust with an independent escrow agent selected by the District, Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Notes to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Notes which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Note Resolution or provision satisfactory to the Paying Agent or an escrow agent has been made for the giving of such notice; provided, in each case, that the Paying Agent or escrow agent has been irrevocably instructed (by the terms of the Note Resolution or by request of the District) to apply such money to the payment of such principal or redemption price of and interest on such Notes.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	Series A-1 Bonds	Series A-2 Bonds	Notes
Principal Amount of Bonds or Notes	$55,000,000.00	$10,000,000.00	$79,000,000.00
Original Issue Premium	6,187,379.85	0.00	0.00
Transfer from Series A-2 Bonds	0.00	0.00	1,684,371.56
Total Sources	$61,187,379.85	$10,000,000.00	$80,684,371.56
Uses of Funds			
Building Fund	$41,828,618.06	$ 8,097,298.61	$79,000,000.00
Debt Service Fund	3,901,159.23	148,599.06	1,327,021.56
Redemption of TRANs	15,074,083.33	0.00	0.00
Transfer to Debt Service Fund and Costs of Issuance Fund for Notes	0.00	1,684,371.56	0.00
Costs of Issuance[(1)]	383,519.23	69,730.77	357,350.00
Total Uses	$61,187,379.85	$10,000,000.00	$80,684,371.56

(1) Payment of Underwriters' discount, Bond and Disclosure Counsel fees, financial advisory fees, rating agency fees, and other costs of issuance.

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DEBT SERVICE SCHEDULE

The table below shows the annual debt service payments on all of the District's outstanding general obligation bonds and notes, comprised of the Bonds, the Notes, the 2013 General Obligation Refunding Bonds (the "2013 Refunding Bonds"), and the 2016 General Obligation Refunding Bonds (the "2016 Refunding Bonds"):

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS AND NOTES

Period Ending August 1	2013 Refunding Bonds	2016 Refunding Bonds	The Bonds	The Notes	Total Debt Service
2020	$ 4,908,900	$ 7,153,900	$ 1,742,667	$ 1,327,022	$ 15,132,489
2021	5,114,400	7,444,400	8,709,015	1,682,140	22,949,955
2022	5,331,000	2,815,200	5,587,010	20,682,140	34,415,350
2023	391,400	--	4,020,650	61,285,800	65,697,850
2024	--	--	2,790,650	--	2,790,650
2025	--	--	2,906,650	--	2,906,650
2026	--	--	2,936,650	--	2,936,650
2027	--	--	3,053,850	--	3,053,850
2028	--	--	3,144,650	--	3,144,650
2029	--	--	3,239,850	--	3,239,850
2030	--	--	3,334,050	--	3,334,050
2031	--	--	3,437,050	--	3,437,050
2032	--	--	3,538,250	--	3,538,250
2033	--	--	3,642,650	--	3,642,650
2034	--	--	3,752,100	--	3,752,100
2035	--	--	3,866,300	--	3,866,300
2036	--	--	3,979,950	--	3,979,950
2037	--	--	4,102,900	--	4,102,900
2038	--	--	4,224,700	--	4,224,700
2039	--	--	4,350,200	--	4,350,200
2040	--	--	4,480,400	--	4,480,400
2041	--	--	4,615,000	--	4,615,000
2042	--	--	4,753,400	--	4,753,400
2043	--	--	4,900,000	--	4,900,000
2044	--	--	5,044,000	--	5,044,000
Total	**$15,745,700**	**$17,413,500**	**$100,152,592**	**$84,977,102**	**$218,288,894**

PLAN OF FINANCING AND REFINANCING

The District intends to apply the proceeds of the sale of the Bonds, together with other available District funds, to (i) redeem the TRANs, (ii) finance the acquisition of land and the construction, modernization, and equipping of District sites and facilities, and (iii) pay the costs of issuance of the Bonds. The District intends to apply the proceeds of the sale of the Notes to (i) finance the acquisition of land and the construction, modernization, and equipping of District sites and facilities, and (ii) pay the costs of issuance of the Notes.

Upon the issuance of the Bonds, the District will transfer (i) a portion of the proceeds of the Series A-1 Bonds to the Director of Finance of Santa Clara County, as paying agent for the TRANs ("TRANs Paying Agent"), to be applied to the redemption of the TRANs on December 1, 2019 ("TRANs Redemption Date"), at a redemption price of the par amount of the TRANs plus accrued interest to the TRANs Redemption Date.

The net remaining proceeds of the Bonds will be transferred to the County for deposit in the Building Fund, to finance capital projects of the District approved by the Authorization. It is anticipated that approximately $32,000,000 of the proceeds of the Series A-1 Bonds will finance the acquisition of 11.7 acres of land in Mountain View, California (the "City"), for development by the District of a tenth school site, including recreational facilities shared by the City ("Tenth School Site"), expected to close escrow in the fourth quarter of 2019. It is anticipated that all of the proceeds of the Series A-2 Bonds will finance capital projects approved by the Authorization, some or all of which constitute deferred maintenance projects within the next ten years.

Upon the issuance of the Notes, the net proceeds of the Notes will be transferred to the County for deposit in the Building Fund, to finance capital projects of the District approved by the Authorization. It is anticipated that all of the proceeds of the Notes will be required to finance the acquisition of the Tenth School Site. The District has entered into letters of intent with several developers to transfer to other projects the development rights ("TDRs") to which the land comprising the Tenth School Site is entitled, which TDR program has been preliminarily approved by the City. It is anticipated that transfer of the TDRs will begin as early as the first half of 2020, but, as the District has not yet entered into any definitive agreement for the transfer of such TDR rights, no assurances can be given that any or all of the TDRs will be transferred. To the extent of any such sale or transfer of TDRs, the District intends to redeem a portion of the Notes. See "THE NOTES – Redemption" herein.

TAX BASE OF THE DISTRICT

The information in this section describes ad valorem property taxation, assessed valuation, and other aspects of the District's tax base. While the Bonds are general obligations of the District payable from the ad valorem tax, the Notes are an obligation of the District payable from the proceeds of the future sale of Bonds pursuant to the Authorization, Renewal Notes, or from other funds of the District lawfully available for the purpose of repaying the Notes, including State grants.

Ad Valorem Property Taxes

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, effective with the lien date of January 1, 1997. 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 State assessed 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 County Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. 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 County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

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

A State-reimbursed exemption currently provides a credit of $7,000 of the full 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.

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

The following table presents the historical assessed valuation in the District for fiscal years 2009-10 through 2019-20, including the annual percent change. Total assessed valuation of property within the District was $25,752,266,169 in fiscal year 2019-20.

LOS ALTOS SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2009-10 Through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2009-10	$14,014,242,300	$0	$162,754,581	$14,176,996,881	--
2010-11	13,864,148,510	0	151,532,903	14,015,681,413	(1.14)%
2011-12	14,329,396,773	0	136,293,017	14,465,689,790	3.21
2012-13	15,076,574,802	0	129,074,735	15,205,649,537	5.12
2013-14	16,496,455,947	0	145,005,237	16,641,461,184	9.44
2014-15	17,653,473,179	0	162,678,005	17,816,151,184	7.06
2015-16	19,217,494,204	0	175,234,379	19,392,728,583	8.85
2016-17	20,633,198,666	0	128,384,160	20,761,582,826	7.06
2017-18	22,238,694,016	0	135,916,742	22,374,610,758	7.77
2018-19	23,933,720,789	0	165,433,682	24,099,154,471	7.71
2019-20	25,563,786,568	0	188,479,601	25,752,266,169	6.86

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as a general market decline in real 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, drought, flood, fire 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 "THE BONDS – Security and Sources of Payment" and "TAX BASE OF THE DISTRICT – Recent California Drought Conditions, Mudslides and Wildfires" herein.

Appeals and Adjustments of Assessed Valuations

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

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See "TAX BASE OF THE DISTRICT – Recent California Drought Conditions, Mudslides and Wildfires" herein.

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

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

Earthquake Risk

The District is located in a seismically active region. The San Francisco Bay region is located within the active boundary between the Pacific and the North American tectonic plates. Major plate boundary faults in the San Francisco Bay region include the San Andreas, Hayward, Rodgers Creek, Calaveras, Maacama, San Gregorio, Concord, Green Valley, and Greenville Faults. The 1989 Loma Prieta earthquake on the San Andreas fault, which was centered about 60 miles south of San Francisco, registered 6.9 on the Richter scale of earthquake intensity. The Loma Prieta earthquake caused fires and collapses of and structural damage to buildings, highways, and bridges in the Bay region.

In 2015, the 2014 Working Group on California Earthquake Probabilities (a collaborative effort of the United States Geological Survey, the California Geological Society and the Southern California Earthquake Center) updated the 30-year earthquake forecast for California and concluded that there is a 72% probability that at least one earthquake of magnitude 6.7 or greater will strike somewhere in the San Francisco Bay region before the year 2043. Such an earthquake would likely be very destructive. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

Recent California Drought Conditions, Mudslides 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 four counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. According to the U.S. Drought Monitor, as of March, 2019, California is not currently experiencing any drought conditions. Additionally, in 2017 and 2018, certain portions of the State were affected by large wildfires and mudslides 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 future droughts or wildfires may have on the assessed value of taxable property within the District, or to what extent such events could cause disruptions to agricultural production, reduce land values, or adversely impact other economic activity within the boundaries of the District.

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Assessed Valuation of Single Family Homes

The following table shows the distribution of single family homes within the District among various fiscal year 2019-20 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

LOS ALTOS SCHOOL DISTRICT
2019-20 Per Parcel Assessed Valuation of Single Family Homes[1]

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,860	$20,819,800,793	$1,755,464	$1,429,465

2019-20 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $199,999	1,357	11.442%	11.442%	$ 187,323,984	0.900%	0.900%
$200,000 - $399,999	864	7.285	18.727	247,170,157	1.187	2.087
$400,000 - $599,999	691	5.826	24.553	346,890,544	1.666	3.753
$600,000 - $799,999	814	6.863	31.417	573,104,863	2.753	6.506
$800,000 - $999,999	791	6.669	38.086	708,201,461	3.402	9.907
$1,000,000 - $1,199,999	716	6.037	44.123	786,987,662	3.780	13.687
$1,200,000 - $1,399,999	603	5.084	49.207	782,109,053	3.757	17.444
$1,400,000 - $1,599,999	590	4.975	54.182	885,310,818	4.252	21.696
$1,600,000 - $1,799,999	620	5.228	59.410	1,052,893,139	5.057	26.753
$1,800,000 - $1,999,999	639	5.388	64.798	1,213,857,922	5.830	32.584
$2,000,000 - $2,199,999	564	4.755	69.553	1,181,761,050	5.676	38.260
$2,200,000 - $2,399,999	439	3.702	73.255	1,009,855,025	4.850	43.110
$2,400,000 - $2,599,999	441	3.718	76.973	1,103,265,718	5.299	48.409
$2,600,000 - $2,799,999	400	3.373	80.346	1,079,388,382	5.184	53.594
$2,800,000 - $2,999,999	374	3.153	83.499	1,082,624,905	5.200	58.794
$3,000,000 - $3,199,999	293	2.470	85.970	906,042,689	4.352	63.146
$3,200,000 - $3,399,999	247	2.083	88.052	815,490,119	3.917	67.062
$3,400,000 - $3,599,999	218	1.838	89.890	762,200,593	3.661	70.723
$3,600,000 - $3,799,999	190	1.602	91.492	700,667,721	3.365	74.089
$3,800,000 - $3,999,999	151	1.273	92.766	587,189,026	2.820	76.909
$4,000,000 and greater	858	7.234	100.000	4,807,465,962	23.091	100.000
Total	11,860	100.000%		$20,819,800,793	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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The table below presents the 2019-20 assessed valuation within the District by land use.

LOS ALTOS SCHOOL DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use

Non-Residential:	2019-20 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$ 45,054,776	0.18%	37	0.25%
Commercial/Office	1,924,510,783	7.53	575	3.84
Industrial	948,905	0.00	5	0.03
Recreational	21,311,016	0.08	5	0.03
Government/Social/Institutional	22,427,803	0.09	61	0.41
Miscellaneous	18,082,436	0.07	52	0.35
Subtotal Non-Residential	$2,032,335,719	7.95%	735	4.90%
Residential:				
Single Family Residence	$20,819,800,793	81.44%	11,860	79.14%
Condominium/Townhouse	1,549,551,842	6.06	1,973	13.16
2-4 Residential Units	65,166,673	0.25	77	0.51
5+ Residential Units/Apartments	905,380,673	3.54	113	0.75
Subtotal Residential	$23,339,899,981	91.30%	14,023	93.57%
Vacant Parcels	$ 191,550,868	0.75%	229	1.53%
Total	$25,563,786,568	100.00%	14,987	100.00%

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

The table below presents the 2018-19 assessed valuation within the District by jurisdiction, which is the latest available data.

LOS ALTOS SCHOOL DISTRICT
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Los Altos	$12,739,609,900	52.86%	$15,720,232,198	81.04%
City of Los Altos Hills	5,172,758,410	21.46	$8,079,300,293	64.02%
City of Mountain View	3,709,881,516	15.39	$29,405,296,796	12.62%
City of Palo Alto	286,202,460	1.19	$36,801,413,139	0.78%
City of Sunnyvale	1,861,765	0.01	$46,351,829,722	0.00%
Unincorporated Santa Clara County	2,188,840,420	9.08	$17,939,974,386	12.20%
Total District	$24,099,154,471	100.00%		
Santa Clara County	$24,099,154,471	100.00%	$482,861,280,340	4.99%

Source: California Municipal Statistics, Inc.

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2019-20.

LOS ALTOS SCHOOL DISTRICT
2019-20 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total (1)
1.	MGP IX Sac II Properties LLC	Office Building & Shopping Center	$ 384,266,599	1.50%
2.	MGP IX CP Venture LLC	Apartments	164,489,550	0.64
3.	San Antonio Apartments LLC	Apartments	162,157,675	0.63
4.	MV Domus Apartments LLC	Apartments	136,188,567	0.53
5.	BP West El Camino LLC	Office Building	87,993,075	0.34
6.	San Antonio Center II LLC	Shopping Center	69,534,091	0.27
7.	RLJ R Los Altos LP	Shopping Center	68,058,537	0.27
8.	Avalonbay Communities, Inc.	Apartments	66,052,133	0.26
9.	Matthew Pear	Apartments	61,723,384	0.24
10.	Los Altos Gardens I & II LP	Apartments	56,587,998	0.22
11.	Imperial Hornet Developers LLC	Shopping Center	55,000,000	0.22
12.	St. Paul Fire & Marine Insurance Company	Office Building	52,987,520	0.21
13.	Lapaloma Property LLC	Residential	50,846,336	0.20
14.	Richard T. Spieker, Trustee	Apartments	48,798,811	0.19
15.	MGP IX Retail LLC	Shopping Center	47,063,648	0.18
16.	5150 ECR Group LLC	Office Building	44,959,866	0.18
17.	Palo Alto Bowl LLC	Hotel	43,442,677	0.17
18.	Campo Vista Lane LLC	Residential	41,400,188	0.16
19.	SHP-Latham LLC	Office Building	35,391,286	0.14
20.	SI 29 LLC	Office Building	34,455,131	0.13
			$1,711,397,072	6.69%

(1) 2019-20 Local Secured Assessed Valuation: $25,563,786,568
Source: California Municipal Statistics, Inc.

According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2019-20 is MGP IX Sac II Properties LLC (assessed valuation of $384,266,599), accounting for 1.5% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.64% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more 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 the tax rate levied in Tax Rate Area 11-001 during fiscal year 2018-19, which is the latest available data:

LOS ALTOS SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 11-001)[(1)]

Local Secured	Utility	Unsecured	Total
$23,933,720,789	$0	$165,433,682	$24,099,154,471

General Tax Rate	1.00000%
County Retirement	.03880
County Library Retirement	.00240
County Hospital Bonds	.00720
County Housing Bonds	.01050
Los Altos School District	**.04860**
El Camino Hospital District	.01000
Foothill-De Anza Community College District	.02170
Mountain View-Los Altos Union High School District	.04090
Midpeninsula Open Space District	.00180
Total All Property	1.17820
State Water Project	.00420
Total	.00420

(1) 2018-19 assessed valuation of TRA 11-001 is $11,860,441,281.
Source: California Municipal Statistics, Inc.

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The Teeter Plan

The Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

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

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds on the secured roll 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.

Direct and Overlapping Debt

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

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of October 1, 2019 (with applicable percentages based on ratios calculated as of 2018-19, the latest available for such data):

LOS ALTOS SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2019-20 Assessed Valuation: $25,752,266,169

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	2018-19 % Applicable [1]	Debt 10/1/19
Santa Clara County	4.991%	$ 43,993,419
Foothill-De Anza Community College District	14.397	87,110,573
Mountain View-Los Altos Union High School District	47.066	61,800,861
Los Altos School District	**100.000**	**33,350,000**[2]
City of Palo Alto	0.778	457,270
City of Los Altos 1915 Act Bonds (Estimate)	80.564 - 100.000	520,260
City of Los Altos Hills Assessment District No. 1	100.000	1,630,000
El Camino Hospital District	25.523	30,803,709
Midpeninsula Regional Open Space District	8.418	7,476,026
Santa Clara Valley Water District Benefit Assessment District	4.991	3,671,879
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$270,813,997
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Clara County General Fund Obligations	4.991%	$49,173,284
Santa Clara County Pension Obligation Bonds	4.991	17,318,602
Santa Clara County Board of Education Certificates of Participation	4.991	212,367
Foothill-DeAnza Community College District Certificates of Participation	14.397	3,766,295
Mountain View-Los Altos Union High School District Certificates of Participation	47.066	771,882
Los Altos School District General Fund Obligations	**100.000**	**2,347,484**
City of Los Altos Certificates of Participation	81.040	911,700
Other City General Fund Obligations	Various	360,806
Midpeninsula Regional Open Space District General Fund Obligations	8.418	9,426,948
Santa Clara Valley Vector Control District Certificates of Participation	4.991	112,048
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$84,401,416
Less: Santa Clara County supported obligations		16,054,972
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$68,346,444
GROSS COMBINED TOTAL DEBT		$355,215,413[3]
NET COMBINED TOTAL DEBT		$339,160,441

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($33,350,000)	**0.13%**
Total Direct and Overlapping Tax and Assessment Debt	1.05%
Combined Direct Debt ($35,697,484)	**0.14%**
Gross Combined Total Debt	1.38%
Net Combined Total Debt	1.32%

[1] Based on 2018-19 ratios, which is the most recently available data.
[2] Excludes the Bonds and Notes to be issued.
[3] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

LOS ALTOS SCHOOL DISTRICT

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

District Organization

The Los Altos School District (the "District") was formed in 1909 and encompasses approximately 21 square miles in the northwest region of Santa Clara County (the "County"). The District consists of the cities of Los Altos, Los Altos Hills, a portion of Palo Alto, the southern portion of Mountain View, and certain unincorporated areas between Los Altos and Palo Alto in Santa Clara County (the "County"). The District provides education services in seven elementary schools and two middle schools. The CBEDS actual enrollment in the District for 2018-19 was 4,242 students and the budgeted enrollment for the District for 2019-20 is 4,107 students. The District has a 2019-20 secured assessed valuation of $25,752,266,169. The audited financial statements for the District, as part of the District's Comprehensive Annual Financial Report, for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX C.

The District is governed by a Board of Trustees (the "Board"). The Board consists of five members who are elected based on trustee area 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:

BOARD OF TRUSTEES

Name	Office	Term Expires December
Jessica Speiser	President	2020
Bryan Johnson	Vice President	2022
Vaishali Sirkay	Clerk	2022
Vladimir Ivanovic	Member	2022
Steven Taglio	Member	2020

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: Los Altos School District, 201 Covington Road, Los Altos, California 94024, Attention: Superintendent. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following are biographies for key administrative personnel of the District.

Jeffrey C. Baier, Superintendent. Superintendent Baier has served as the superintendent of the District since 2010. He previously served the District as the Assistant Superintendent of Curriculum and Instruction and the principal of Almond Elementary. He is a graduate of San Diego State University and Santa Clara University.

Randall A. Kenyon, Jr., Assistant Superintendent, Business Services. Mr. Kenyon has served as the Assistant Superintendent of the District since 1987. He also served the District in the capacity of Chief Business Official since 1997. Prior to the District, he was the Finance Director at Livermore School District and Berryessa School District. He began his career at the Alameda County Office of Education. Mr. Kenyon earned a Bachelor of Arts from the University of Massachusetts, and a Master's Degree from University of California, Berkeley.

District Employees

The District employs approximately 282 full-time equivalent certificated academic professionals as well as approximately 167 full-time equivalent classified employees.

The certificated employees of the District have assigned the Los Altos Teachers' Association ("LATA") as their exclusive bargaining agent. The contract among the District and LATA expires on June 30, 2020. The classified employees have assigned California School Employees Association, Chapter 103 ("CSEA"), as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2020. By law, each current contract remains in effect until a new contract is approved.

District employees are represented by bargaining units as summarized in the following table.

LOS ALTOS SCHOOL DISTRICT
Labor Organizations

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Los Altos Teachers' Association	262	June 30, 2020
California School Employees Association Chapter No. 103	157	June 30, 2020

Source: The District.

Insurance

The District is a member of South Bay Area Schools Insurance Authority ("SBASIA") and Santa Clara County Schools Insurance Group ("SCCSIG") which are joint powers authorities that provide various types of insurance to its members as requested.

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

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (Education Code Sections 47600 47663) to permit teachers, parents, students, and community members to establish schools that would operate in accordance with its charter, from most state and district regulations. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are exempt from state and local education rules and regulations, except as specified in the legislation. Charter schools may be approved by school districts, county boards of education, and the State Board of Education.

Charter authorizers have certain fiscal oversight and other responsibilities with regard to approved charter schools. Charter schools receive funding directly from the State and such funding is not reported in a school district's audited financial statements. The County Board of Education has authorized Bullis Charter School ("BCS") to operate within the boundaries of the District and the County Board of Education, as authorizer, has fiscal oversight and other responsibilities with regard to BCS. BCS provides classroom based instruction for grades K to 8. The District has an obligation to provide reasonably equivalent facilities to BCS pursuant to Proposition 39 and has provided such facilities to BCS pursuant to such requirements. Based on information provided to the District by BCS and the County Board of Education, the District estimates current enrollment at BCS to be 1,100 students, and the District provides facilities to BCS sufficient to house its in-District ADA. The District is required to pay, from its property tax collections, an amount equal to the lesser of (i) the per-pupil (ADA) amount required by the LCFF calculation, or (ii) the per-pupil (ADA) amount of property tax collections within the District. Except as provided herein, the District makes no representations regarding enrollment or any corresponding financial impact on the District.

STATE FUNDING OF EDUCATION

Local Control Funding Formula

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 (the "LCFF") will be implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2020-21. Prior to adoption of the LCFF, the State used a revenue limit system described below.

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. The Local Control Funding Formula replaces the existing revenue limit funding system and many categorical programs. The District expects revenues to increase as a result of the implementation of the LCFF.

The primary component of AB 97, as amended by SB 91, is the implementation of the LCFF, which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants (a "Base Grant") per unit of average daily attendance ("ADA") assigned to each of four grade spans. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget

to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

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

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

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

The following table sets forth the ADA by grade span, total ADA, total enrollment and the percentage of EL/LI enrollment for fiscal years 2015-16 through 2017-18 with budgeted or projected ADA and Enrollment for fiscal years 2018-19 through 2020-21.

ADA, ENROLLMENT AND ENGLISH LANGUAGE/LOW INCOME ENROLLMENT
Actual for Fiscal Years 2015-16 through 2017-18, Budgeted for Fiscal Year 2018-19
and Projected for Fiscal Years 2018-19 and 2020-21
Los Altos School District

	ADA				Enrollment	
Fiscal Year	K-3	4-6	7-8	Total ADA[3]	Total Enrollment	% of EL/LI Enrollment
2015-16	1,823	1,587	1,134	4,533	4,636	14%
2016-17	1,762	1,497	1,124	4,379	4,522	15
2017-18	1,735	1,470	1,097	4,292	4,400	16
2018-19[1]	1,680	1,415	1,063	4,162	4,243	16
2019-20[2]	1,715	1,412	1,010	3,940	4,017	16
2020-21[2]	1,745	1,355	1,050	3,848	3,921	16

[1] Budgeted.
[2] Projected.
[3] ADA by grade span figures may not add to total ADA due to rounding.
Source: The District.

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

LCFF and Community-Funded Districts. Certain schools districts, formerly known as "basic aid" districts, and under the LCFF known as "community-funded 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 community-funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is a community–funded district, and expects to continue to be so in future fiscal years.

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts

increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be 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 help the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

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

Revenue Limit Funding System. Prior to the implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to

provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

Revenue Sources

The District categorizes its general fund revenues into four sources:

LOS ALTOS SCHOOL DISTRICT
District Revenue Sources
Fiscal Years 2015-16 through 2018-19

	Percentage of Total District General Fund Revenues[1]			
Revenue Source	2015-16	2016-17	2017-18	2018-19[2]
LCFF/Revenue Limit sources	60%	63%	62%	61%
Federal revenues	2	2	2	2
Other State revenues	10	6	8	9
Other local revenues	29	29	28	27

(1) Percentages may not total to 100% due to rounding.
(2) Based on 2018-19 unaudited actual results.
Source: The District.

LCFF / Revenue Limit 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. As the District is a community-funded district, its allocable local property tax collections exceed its total LCFF allocation, and results in the receipt of no State apportionment aid. See, "—LCFF and Community-Funded Districts" 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 Student Succeeds Act and Safe and Drug Free Schools.

Other State Revenues. The District receives some other State revenues. 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 two parcel taxes, education foundation funding, and other items such as interest earnings, interagency services and other local sources.

State Budget

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the**

State has not entered into any contractual commitment with the District, the County, Bond and Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District nor Bond and Disclosure Counsel assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

2018-19 State Budget. Governor 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 includes 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 reflects continued economic expansion and increasing revenues, including record all-time capital gains tax revenues. The Rainy Day Fund is fully funded to $13.9 billion and an additional $200 million is deposited to the newly created Safety Net Reserve Fund. In recognition that the current economic prosperity can't continue indefinitely, the 2018-19 State Budget makes one-time spending commitments rather than on-going programmatic expenditures; primarily for infrastructure, homelessness and mental health. A new funding formula for higher education is adopted that provides increased funding for community college districts that serve low-income students and where students demonstrate certain success. Additionally, the California Online College is created in order to facilitate access to higher education for working adults.

With respect to K-12 education, the 2018-19 State Budget includes 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 is increased by $3.7 billion to reach full funding. Additionally, the 2018-19 State Budget provides $1.1 billion in one-time discretionary funds to school districts, charter schools and county offices of education. The 2018-19 State Budget also enacts 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 are 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 age 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.

2019-20 State Budget. On June 27, 2019, Governor Gavin Newsom signed the budget for the State for fiscal year 2019-20 (the "2019-20 State Budget"). Under the 2019-20 State Budget, general fund revenues and transfers are forecasted to total $150.6 billion with expenditures reaching $147.8 billion in fiscal year 2019-20. For fiscal year 2018-19, the 2019-20 State Budget includes revenues and transfers of $149.5 billion, an increase of $7.7 billion over the 2018-19 State Budget, and expenditures of

$143 billion, approximately $5 billion greater than under the 2018-19 State Budget. The 2019-20 State Budget includes $14.3 billion for reserves and paying down debts which will bring the Rainy Day Fund to $16.5 billion at the end of fiscal year 2019-20. The 2019-20 State Budget also includes a $4.3 billion supplemental contribution to pay down the State's share of unfunded PERS liabilities and STRS liabilities. Current assumptions provide that the school district contribution rate to STRS would decrease from 18.13% to 17.1% in fiscal year 2019-20 and from 19.1% to 18.4% in fiscal year 2020-21 as a result of such one-time payment. See "DISTRICT FINANCIAL INFORMATION –Retirement System" herein.

The 2019-20 State Budget allocates total K-12 funding of $103.4 billion ($58.8 billion in Proposition 98 funds and $44.6 billion other funds). Total per-pupil funding would reach $17,423 in 2019-20 from all sources. LCFF funding includes an additional $1.9 billion in the form of a 3.26% COLA.

Significant features of the 2019-20 State Budget impacting K-12 education are as follows:

- Charter School Regulation — accountability requirements for charter schools to align governance, transparency and accountability requirements of school districts and charter schools.

- Special Education— $645.3 million Proposition 98 funds for special education allocated among school districts based on children ages 3 to 5 years old with exception needs served by a school district.

- Proposition 51 Bond Funds — $1.5 billion in bond funds to support school construction projects including new construction, modernization, retrofitting, career technical education, and charter school facility projects.

- Proposition 98 Settle-Up — $686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funds owed through 2017-18.

- Kindergarten Facilities — $300 million one-time non-Proposition 98 funds to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

- New Teacher Grants — $89.8 million one-time non-Proposition 98 funds to provide grants of $20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years.

- After School Education and Safety Program ("ASES") — $50 million ongoing Proposition 98 funds to provide an increase of approximately 8.3% to the per-pupil daily rate for ASES.

- Educator Workforce Grants — $37.1 million for the Educator Workforce Investment Grants for professional development in the following areas: i) $22.1 million for social emotional learning; computer science, restorative practices, and ethnic studies; ii) $10 million implementation of the English-Learner Roadmap and iii) $5 million for special education and inclusive practices.

- 21st Century California Leadership Academy — $13.8 million federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

- Classified Employees Summer Assistance Program — $36 million one-time Proposition 98 funds to provide a state match for classified employee savings used to provide income during summer months.

- Broadband Infrastructure — $7.5 million one-time non-Proposition 98 funds for broadband infrastructure.

- Longitudinal Data System — $10 million one-time non-Proposition 98 funds to plan for and develop a longitudinal data system to track impacts of investments in educational goals.

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.

DISTRICT FINANCIAL INFORMATION

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

District Investments

The County Treasurer manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the County Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool. See "APPENDIX F –COUNTY INVESTMENT POOL" for more information related to the County Treasury Pool.

Financial Statements of the District

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. The audited financial statements for the District, as part of the

Comprehensive Annual Financial Report, for the 2017-18 fiscal year are attached as APPENDIX C hereto. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District's audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 201 Covington Road, Los Altos, California 94024, telephone (650) 947-1150. The District may impose a charge for copying, mailing and handling.

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

Funds used by the District are categorized as follows:

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

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

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Assistant Superintendent of Business Services for the District and audited by independent certified public accountants each year. The audited financial statements for the District, as part of the Comprehensive Annual Financial Report, for the 2017-18 fiscal year are attached as APPENDIX C hereto.

Significant Accounting Policies

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Chavan & Associates, LLP, San Jose, California, serve as independent auditors to the District and their report for the fiscal year ended June 30, 2018, is attached hereto as APPENDIX C, as part of the Comprehensive Annual Financial Report. The District's auditors have not specifically approved the inclusion of such report herewith.

District Budgets

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

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

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

A school district whose budget has been disapproved must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district's budget is approved, the school 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.

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

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect the District's operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections. The District has received positive certifications on all of its interim reports within the last five years.

General Fund

The following table describes the District's audited financial results for fiscal years 2014-15, 2015-16, 2016-17, and 2017-18.

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LOS ALTOS SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2014-15 through 2017-18

	2014-15 Audit	2015-16 Audit	2016-17 Audit	2017-18 Audit
REVENUES				
Revenue Limit/LCFF Sources	$31,430,553	$35,838,582	$37,678,765	$39,531,987
Federal Revenues	1,003,227	1,024,458	1,105,381	1,102,424
Other State Revenues	1,494,816	5,864,691	3,796,451	4,966,563
Other Local Revenues	18,182,801	17,360,331	17,014,333	17,917,428
TOTAL REVENUES	$52,111,397	$60,088,062	$59,594,930	$63,518,402
EXPENDITURES				
Current				
Instruction	36,111,389	37,339,440	38,840,664	42,164,706
Instruction related services				
Supervision of instruction	1,764,214	1,768,590	2,284,013	2,336,569
Instructional library, media and technology	848,179	883,708	982,592	1,027,454
School site administration	2,839,598	2,947,689	3,098,401	3,238,340
Pupil services				
Home-to-school transportation	215,363	235,368	468,061	496,399
Food services	99,186	99,901	107,072	145,100
All other pupil services	3,157,355	3,221,133	3,480,773	3,847,977
Administration				
Data processing	578,587	676,174	851,172	763,437
All other administration	2,724,325	2,708,192	3,191,075	3,521,274
Plant services	5,435,210	5,728,444	6,894,284	7,067,395
Other educational programs	48,612	65,414	14,248	7,067
Facility acquisition and construction	125,104	232,246	184,978	296,785
Debt Service				
Principal	174,286	182,697	191,516	200,760
Interest	238,234	354,721	359,253	728,460
TOTAL EXPENDITURES	$54,359,642	$56,443,717	$60,948,102	$65,841,723
Excess (Deficiency) of Revenues Over Expenditures	(2,248,245)	3,644,345	(1,353,172)	(2,323,321)
OTHER FINANCING SOURCES (USES):				
Transfers In	(2,769,206)	--	--	--
Transfers Out	(2,769,206)	(1,325,000)	(274,067)	(27,304)
TOTAL OTHER FINANCING SOURCES (USES)	(2,769,206)	(1,325,000)	(274,067)	(27,304)
Net Change in Fund Balances	(5,017,451)	2,319,345	(1,627,239)	(2,350,625)
Fund Balance at Beginning of Year	11,998,568	$6,934,141	$9,253,486	$7,626,247
Prior period adjustment	(46,976)	--	--	--
Fund Balance Beginning as Adjusted	$11,951,592	--	--	--
Fund Balance at End of Year	$ 6,934,141	$9,253,486	$7,626,247	$5,275,622

Source: The District.

The table on the following page sets forth the adopted budgets as compared to the audited actual results of the District for fiscal years 2015-16 through 2017-18, as well as the adopted budgets for fiscal years 2018-19 and 2019-20 and the unaudited actual results for fiscal year 2018-19.

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GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2019-20

	Adopted Budget 2015-16	Audited Actuals 2015-16	Adopted Budget 2016-17	Audited Actuals 2016-17	Adopted Budget 2017-18	Audited Actuals 2017-18	Adopted Budget 2018-19	Unaudited Actuals 2018-19	Adopted Budget 2019-20
REVENUES									
Revenue Limit/LCFF Sources	$34,172,496	$35,838,582	$37,734,926	$37,678,764	$39,616,948	$39,531,987	$42,084,227	$42,339,710	$43,551,141
Federal	1,001,623	1,024,458	1,001,935	1,105,381	1,107,494	1,102,424	1,076,399	1,180,670	1,155,684
Other State	1,182,954	5,864,691	3,829,665	3,796,451	2,960,512	4,966,563	3,579,951	6,527,708	3,417,200
Other Local	15,832,289	17,332,712	15,506,324	16,977,119	15,266,894	17,917,428	16,162,139	18,926,369	16,387,902
Total Revenues	$52,189,362	$60,060,443	$58,072,850	$59,557,715	$58,951,848	$63,518,402	$62,902,716	$68,974,456	$64,511,937
EXPENDITURES									
Certificated Salaries	24,350,855	24,846,783	25,173,343	26,381,279	26,364,575	27,457,333	27,419,736	27,037,781	25,965,289
Classified Salaries	8,251,224	8,307,382	8,308,083	9,079,579	9,179,301	9,967,797	9,871,691	10,530,877	10,606,613
Employee Benefits	11,805,063	13,444,409	14,552,945	14,212,535	15,142,407	15,915,616	16,461,701	18,523,231	16,904,698
Books and Supplies	1,401,308	2,486,192	1,437,468	2,575,703	1,610,589	2,829,073	1,462,229	2,517,246	1,526,084
Services, Other Operating Expenses	5,517,000	6,557,215	6,218,821	7,984,800	6,237,472	9,193,880	7,696,914	9,334,940	8,453,291
Capital outlay	148,511	403,518	169,824	367,158	236,570	138,555	180,986	1,489,519	162,342
Other Outgo	382,993	398,217	382,641	347,050	350,884	339,869	341,064	332,803	341,065
Total Expenditures	$51,856,952	$56,443,716	$56,243,125	$60,948,104	$59,121,797	$65,841,723	$63,434,321	$69,766,397	$63,959,382
EXCESS (DEFICIENCY) OR REVENUES OVER (UNDER) EXPENDITURES	332,410	3,616,727	1,829,725	(1,390,389)	(169,949)	(2,323,321)	(531,605)	(791,942)	552,556
OTHER FINANCING SOURCES (USES)									
Transfers in	--	--	--	--	--	--	--	300,000	--
Transfer out	(982,256)	(1,557,405)	(582,010)	(356,077)	(201,277)	(27,304)	--	--	--
Total Other Financing Sources and Uses	(982,256)	(1,557405)	(582,010)	(356,077)	(201,277)	(27,304)	--	300,000	--
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(649,846)	2,059,322	1,247,715	(1,746,466)	(371,226)	(2,350,625)	(531,605)	(491,942)	552,556
Net Increase (Decrease) In Fund Balance									
Fund Balance, July 1	$1,834,607	$1,834,607	$2,176,246	$3,893,928	$1,334,260	$7,626,247	$1,446,853	$1,539,756	$107,727
Fund Balance, June 30	$1,184,761	$3,893,928	$3,423,960	$2,147,462	$ 963,033	$5,275,622	$ 915,246	$1,047,814	$660,283

Source: The District.

Parcel Tax

In 1989, the District received authorization to levy a parcel tax within the District. Since 1989, the parcel tax has been renewed twice (in 1997 and 2002) and a second parcel tax was approved in 2011 with a six-year term. The two parcel taxes collectively provide approximately $10,000,000 in revenue annually to the District. Although the second parcel tax expired in 2017-18, it was renewed in November 2016 for another eight year term, expiring June 30, 2025. Unless renewed again, once the renewed parcel tax expires, it will reduce the annual parcel tax revenue to approximately $7,500,000.

Retirement System

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

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 14.43% of eligible salary expenditures, while participants contribute either 10.25% or 9.205% of their respective salaries depending on their date of hire. The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

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

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

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

The District contributed $4,228,754 to STRS for fiscal year 2015-16, $4,747,426 to STRS for fiscal year 2016-17, and $6,057,994 to STRS for fiscal year 2017-18. Such contributions were equal to 100% of the required contributions for the respective years. The District has made a contribution of $8,458,100 to STRS for fiscal year 2018-19, per its unaudited actual results. 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. During fiscal year 2017-18, the District is required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, 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 $1,068,928 to PERS for fiscal year 2015-16, $1,171,494 to PERS for fiscal year 2016-17 and $1,171,418 to PERS for fiscal year 2017-18, which amounts equaled 100% of required contributions to PERS. The District has made a contribution of $1,786,901 to PERS for fiscal year 2018-19, per its unaudited actual results.

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, 2015.

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

Plan	Accrued Liability	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	$44,389,920
PERS	15,806,874
Total	**$60,196,794**

Source: The District.

For further information about the District's contributions to STRS and PERS, see Note 11 in the District's audited financial statements, as part of the Comprehensive Annual Financial Report, for fiscal year ended June 30, 2018 attached hereto as APPENDIX C.

Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. 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. The District provides Health & Welfare Benefits to classified employees hired prior to November 1988 only, and not their dependents, who retire from the District after age 55 with at least 10 years of service to the District in an amount equal to the full medical premium for any PERS medical plan except PERS Care (95% of the premium if retired after June 30, 2012). Classified employees hired after October 1988 who retire after age 50 with at least 35 years of service are entitled to the California Public Employees' Retirement System healthcare ("PEMHCA") minimum benefit. No benefits are paid to dependent spouses.

Certificated employees of the District hired prior to October 1988 who retire after age 55 with at least 10 years of service receive the full medical premium for any PERS medical plan except PERS Care (95% of the premium if retired after June 30, 2006). Certificated employees hired after September 1988 who retire after age 50 with at least 35 years of service are entitled to the PEMHCA minimum benefit.

Management employees hired prior to July 1989 and confidential employees hired prior to November 1988 who retire after age 55 with at least 10 years of service (including 5 years of service to the District) are entitled to the full medical premium for any PERS medical plan except PERS Care (95% of the premium if retired after June 30, 2006), plus dental coverage. All other management and confidential employees who retire after age 50 with a least 35 years of service receive the PEMHCA minimum benefit. Dental benefits are also payable if hired before July 1989 and retired prior to May 2009. Dependent spouses are also covered.

Per the District's 2017-18 audited financial statements, at July 1, 2017, 174 retirees met these qualifications with 493 employees earning service credit towards eligibility.

The District makes contributions based on an actuarially determined rate, which is subject to approval by the District's governing board. During fiscal year 2017-18, total contributions were $963,288 towards Health & Welfare Benefits, all of which was used for current premiums. Total benefit payments included in the measurement period were $1,211,118. The actuarially determined contribution for the measurement period was $1,765,489. The District's contributions were 3.4% of payroll.

The following table shows the total and net changes in the District's Health and Welfare Benefits during the fiscal year ended June 30, 2018, for the measurement date of June 1, 2017.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	$19,883,879	--	$19,883,879
Service Cost	497,104	--	497,104
Interest	522,442	--	522,442
Balance of Changes in Assumptions	(1,046,760)	--	(1,046,760)
Benefit payments	(1,211,118)	--	(1,211,118)
Net Change in Total OPEB Liability	(1,238,332)	--	(1,238,332)
Balance at June 30, 2018	$18,645,547	--	$18,645,547
Covered Payroll at Measurement Date	$35,460,858		
Total OPEB Liability as a % of Covered Payroll	52.58%		
Service Cost as a % of Covered Payroll	1.40%		

Source: The District.

The District's Health & Welfare Benefits plan is nonfunded, meaning there have not been any assets placed into an irrevocable trust. For more information relating to Health and Welfare benefits, see note 12 in the District's audited financial statements, as part of the Comprehensive Annual Financial Report, for fiscal year ended June 30, 2018 attached hereto as APPENDIX C.

Certain Existing Obligations

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

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General obligation bonds					
Current interest bonds	$57,840,000	$ --	$ 8,195,000	$49,645,000	$ 8,980,000
Unamortized bond premium	6,894,365	--	1,149,061	5,745,304	1,149,061
Total general obligation bonds	$64,734,365	--	$9,344,061	$55,390,304	$10,129,061
Bond anticipation notes	7,500,000	2,500,000	--	10,000,000	--
Lease-leaseback obligations	2,816,856	--	200,760	2,616,096	210,451
Net pension liabilities	50,882,364	32,394,306	23,620,676	60,195,994	--
Net post-employment benefits	3,297,141	17,522,812	2,174,406	18,645,547	--
Compensated absences	365,653	374,529	300,137	440,045	300,137
Total	$129,596,379	$53,331,647	$36,640,040	$147,287,986	$10,639,649

Source: The District.

General Obligation Bonds

On November 3, 1998, the District received authorization from the voters within the District to issue $94,700,000 aggregate principal amount of general obligation bonds pursuant to the 1998 Authorization. In February 1999, the District issued $40,000,000 of its 1999 General Obligation Bonds (Election of 1998, Series A) (the "Series A Bonds"). In June 2001, the District issued $46,699,049 of its 2001 General Obligation Bonds (Election of 1998, Series B) (the "Series B Bonds"). In October 2003,

the District issued $8,000,000 of its 2003 General Obligation Bonds (Election of 1998, Series C) (the "Series C Bonds").

In June 2006, the District issued its 2006 General Obligation Refunding Bonds ("2006 Bonds") to refund a portion of the Series A Bonds and the Series B Bonds and all of the Series C Bonds. In February 2013, the District issued $25,455,000 aggregate principal amount of its 2013 General Obligation Refunding Bonds to refund a portion of the 2006 Bonds. In July 2016, the District issued $32,550,000 aggregate principal amount of its 2016 General Obligation Refunding Bonds to refund a portion of the 2006 Bonds. No further general obligation bonds remain for issuance under the 1998 Authorization, other than refunding bonds.

On November 4, 2014, the District received authorization from the voters within the District to issue $150,000,000 aggregate principal amount of general obligation bonds (the "Authorization"). Except for the Bonds to be issued as described herein, the District has not yet issued any bonds pursuant the Authorization. See "DEBT SERVICE SCHEDULE" for the debt service payments to be made on all of the District's outstanding general obligation bonds, including general obligation refunding bonds.

Bond Anticipation Notes; TRANs

The District issued its $5,000,000 2016 General Obligation Bonds Anticipation Notes, Subseries A (the "Subseries A Prior Notes") on February 4, 2016. The District issued its $2,500,000 2016 General Obligation Bonds Anticipation Notes, Subseries B (the "Subseries B Prior Notes") on November 23, 2016. The District issued its $2,500,000 2016 General Obligation Bonds Anticipation Notes, Subseries C (the "Subseries C Prior Notes" and collectively with the Subseries A Prior Notes and the Subseries B Prior Notes, the "Prior Notes") on June 28, 2018. The Prior Notes were sold directly to Wells Fargo Bank, National Association ("Wells Fargo Bank") under the terms of a Note Purchase Agreement between the District and Wells Fargo Bank that authorizes the issuance of up to $50,000,000 aggregate principal amount of bond anticipation notes. Interest on the Prior Notes and any additional bond anticipation notes sold under the Note Purchase Agreement are payable from *ad valorem* taxes levied to pay such interest. Principal of the Prior Notes and any additional bond anticipation notes sold under the Note Purchase Agreement was to be repaid from the proceeds of general obligation bonds issued pursuant to the Authorization or other available sources of funds. On August 1, 2019, the District paid the Prior Notes at maturity with the proceeds of the TRANs. The District plans to redeem the TRANs with a portion of the proceeds of the Bonds. See "PLAN OF FINANCING AND REFINANCING" herein.

Certificates of Participation

The District has no outstanding certificates of participation.

Lease Purchase Transactions

The District has entered into two lease purchase transactions in which a site owned by the District was leased to a third party in exchange for an upfront rental payment in exchange for the District subleasing the same property back to the third party in exchange for rental payments over twenty years intended to repay the upfront rental payment, with interest. The total upfront rental payments were $4,190,000. The District's lease payments under the sublease total approximately $332,803 annually through 2025 and then decrease annually through full repayment in 2028-2029.

Operating Leases

The District has entered into various operating leases for facilities and equipment with terms in excess of one year. The leases do not contain purchase options. The leases have minimum annual payments as follows:

Year ending June 30		Lease Payment
2019		1,001,361
2020		355,032
2021		77,560
2022		6,912
	Total	$1,440,865

Source: The District.

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CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

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

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

Legislation Implementing Article XIIIA

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

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

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

Article XIIIB of the California Constitution

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

Unitary Property

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

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

California Lottery

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

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. The District received $1,047,339 for such State Lottery aid in 2018-19, per its unaudited actual results. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted. See "DISTRICT FINANCIAL INFORMATION- State Budget Measures" herein.

Proposition 46

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

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing

and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

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

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

Article XIIIC and XIIID of the California Constitution

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

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

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an

initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in Rossi v. Brown by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

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

Proposition 26

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

Proposition 98

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

the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

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

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

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

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

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

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

Supplemental Information Concerning Litigation Against the State of California

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

obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

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

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Propositions 1A and 22

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

rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

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

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 LCFF 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 increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018. Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "– Proposition 98" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of A.D.A. 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 the high-income taxpayers imposed under Proposition 30 to 2030. Proposition 55 did not extend the sales and use tax increase imposed under Proposition 30 which expired at the end of 2016.

Proposition 51

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

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs

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

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

Proposition 2

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

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

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

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

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other

financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the 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 "—Proposition 98" above), 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 PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. Further, the District has approved a fiscal policy requiring the maintenance of a minimum reserve of 8% of general fund expenditures. The District's available reserves are approximately $3.48 million for fiscal year 2018-19, per its unaudited actual results, or approximately 5.0% of total expenditures and other outgo.

Future Initiatives

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds and the Notes 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), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The District has entered into Continuing Disclosure Agreements for the benefit of the Owners of the Bonds and the Notes. The Annual Report and each notice of material events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption "APPENDIX D – FORMS OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

In the past five years, the District has complied in all material respects with any previous undertakings with regard to the Rule to provide annual reports and notices of events, although not every event notice was filed in a timely manner. In June 2016, Moody's Investors Service upgraded its rating on the District's bonds to "Aaa" from "Aa1." The District provided notice of the event, but not within the prescribed 10-day period.

LEGAL MATTERS

The legal opinions of Dannis Woliver Kelley, San Diego, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds and the Notes, will be supplied to the original purchasers of the Bonds and the Notes without charge, form of which is attached hereto as APPENDIX A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Bonds and the Notes.

TAX MATTERS

The delivery of the Series A-1 Bonds is subject to delivery of the opinions of Bond Counsel, to the effect that interest on the Series A-1 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 Series A-1 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 Series A-1 Bonds is also subject to the delivery of the respective opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Series A-1 Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion respecting the Series A-1 Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

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 Series A-1 Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series A-1 Bonds and will assume continuing compliance with the provisions of the Bond Resolution subsequent to the issuance of the Series A-1 Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Series A-1 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 Series A-1 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 Series A-1 Bonds to be includable in the gross income of the owners thereof from the date of the issuance thereof.

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 Series A-1 Bonds. Prospective purchasers of the Series A-1 Bonds should be aware that the ownership of tax-exempt obligations such as the Series A-1 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 Series A-1 Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Series A-1 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 Series A-1 Bonds, the District may have different or conflicting interests from the owners of the respective Series A-1 Bonds. Public awareness of any future audit of the Series A-1 Bonds could adversely affect the value and liquidity of the Series A-1 Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium

The initial public offering price of certain of the Series A-1 Bonds (the "Discount Bonds") may be less than the amount payable on such Series A-1 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 Series A-1 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 Series A-1 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 Series A-1 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 Series A-1 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.

Interest on the Series A-2 Bonds and the Notes is exempt from personal income taxes of the State of California. Interest on the Series A-2 Bonds and the Notes is not excluded from gross income for federal income tax purposes.

Forms of Bond Counsel Opinions. The forms of the proposed opinions of Bond Counsel relating to the Bonds and the Notes are attached to this Official Statement as Appendix A.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds and the Notes are legal investments for commercial banks in California to the extent that the Bonds and the Notes, 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 and the Notes are eligible to secure deposits of public moneys in California.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned its municipal bond rating of "AA+" to the Bonds and its municipal bond rating of "SP-1+" to the Notes. Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa1" to the Bonds and its municipal bond rating of "MIG 1" to the Notes. Such ratings reflect only the view of S&P and Moody's an explanation of the significance of such ratings may be obtained from S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, or Moody's at 7 World Trade Center at 250 Greenwich Street, New York, NY 10007. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds or the Notes.

UNDERWRITING

The Bonds are being purchased for reoffering to the public by Raymond James & Associates, as representative (the "Representative") of itself and Barclays Capital Inc., as co-managing underwriters (together, the "Underwriters") pursuant to a bond purchase agreement between the District and the Representative (the "Bond Purchase Agreement"). The Underwriters have agreed to purchase the Bonds at a purchase price of $70,376,779.85 (consisting of the principal amount of the Bonds, plus an original issue premium of $6,187,379.85 and less $810,600.00 retained by the Underwriters as payment for costs of issuance (including Underwriters' compensation) for the Bonds and the Notes). The Bond Purchase Agreement provides that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriters have represented to the District that the Bonds have been reoffered to the public at the price or yields stated on the inside front cover pages hereof.

The Notes are being purchased for reoffering to the public by the Underwriters pursuant to a note purchase agreement between the District and the Representative (the "Note Purchase Agreement"). The Underwriters have agreed to purchase the Notes at a purchase price of $79,000,000.00 (consisting of the principal amount of the Notes). Certain costs of issuance of the Notes (including Underwriter's compensation) shall be paid by the Underwriters from amounts retained by the Underwriters, as described above, from the sale of the Bonds. The Note Purchase Agreement provides that all Notes would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Note Purchase Agreement, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriters have represented to the District that the Notes have been reoffered to the public at the price or yields stated on the inside front cover pages hereof.

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

NO LITIGATION

No litigation is pending concerning the validity of the Bonds or the Notes, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds and the Notes. 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 and the Notes.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolutions are available upon request from the Los Altos School District, 201 Covington Road, Los Altos, California 94024.

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 or the Notes.

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

LOS ALTOS SCHOOL DISTRICT

By: /s/ Jeffrey C. Baier
Superintendent

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APPENDIX A

FORMS OF BOND COUNSEL OPINION

[SERIES A BONDS]

[Date of Delivery]

Board of Trustees
Los Altos School District
201 Covington Road
Los Altos, California 94024

Re: $65,000,000 Los Altos School District General Obligation Bonds (Election of 2014), Series A

Ladies and Gentlemen:

We have acted as bond counsel for the Los Altos School District, County of Santa Clara, State of California (the "District"), in connection with the issuance by the District of $65,000,000 aggregate principal amount of the District's General Obligation Bonds (Election of 2014), Series A (the "Bonds"), comprised of $55,000,000 Series A-1 (Tax-Exempt) (the "Series A-1 Bonds") and $10,000,000 Series A-2 (Federally Taxable) (the "Series A-2 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 Trustees of the District on December 17, 2018 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements

contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding general obligations of the District.

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

3. 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.

4. Interest on the Series A-1 Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and will not be included in computing the alternative minimum taxable income of the owners thereof.

5. Interest on the Bonds is exempt from personal income taxes of the State of California.

Ownership of tax-exempt obligations such as the Series A-1 Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series A-1 Bonds.

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

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

Respectfully submitted,

Dannis Woliver Kelley

[2019 BOND ANTICIPATION NOTES (FEDERALLY TAXABLE)]

[Date of Delivery]

Board of Trustees
Los Altos School District
201 Covington Road
Los Altos, California 94024

Re: $79,000,000 Los Altos School District 2019 General Obligation Bond Anticipation Notes (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel for the Los Altos School District, County of Santa Clara, State of California (the "District"), in connection with the issuance by the District of $79,000,000 aggregate principal amount of the District's 2019 General Obligation Bond Anticipation Notes (Federally Taxable) (the "Notes"). The Notes are issued pursuant to the Education Code of the State of California (commencing at Section 15150), as amended, and that certain resolution adopted by the Board of Trustees of the District on December 17, 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 Notes, 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 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 Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Note 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 Notes 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 Notes. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes 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 Notes constitute valid and binding general obligations of the District.

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. Interest on the Notes is exempt from personal income taxes of the State of California.

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

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

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

Respectfully submitted,

Dannis Woliver Kelley

APPENDIX B

SELECTED INFORMATION REGARDING THE CITY OF LOS ALTOS AND THE COUNTY OF SANTA CLARA

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

The following information concerning the City of Los Altos (the "City") and the County of Santa Clara (the "County") is included only for the purpose of supplying general information regarding the area served by the District. Neither the Bonds or the Notes are a debt of the City or the County.

Introduction

The City encompasses approximately seven square miles and lies approximately forty miles south of the City of San Francisco in northern Santa Clara County. Incorporated in 1952, the City operates as a general law city. It has a council-manager form of government, with the Mayor and other council members elected at large for four-year terms. Municipal services provided include police, streets, facilities and parks maintenance, engineering, community development, recreation, solid waste and sewer. Fire protection is provided through a contract with the Santa Clara County Fire Department.

The County, one of nine counties which comprise the greater San Francisco bay area, covers an area of over 1,300 square miles in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has a primarily agricultural base and is comprised of only two cities located approximately twenty miles apart. In contrast, North County is densely populated, heavily industrialized and extensively urbanized. North County is comprised of 13 cities, including the City, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as "Silicon Valley."

Population

The following table shows historical population statistics for the cities in the County as well as the County for calendar years 2013 through 2018, as of January 1 of each year. In 2018, the City has 31,361 residents.

POPULATION
CITIES OF THE COUNTY
AND THE COUNTY OF SANTA CLARA
Calendar Years 2013 through 2018

	2013	2014	2015	2016	2017	2018
Campbell	40,444	41,935	41,986	42,584	42,372	42,696
Cupertino	58,156	58,153	58,038	58,185	60,079	60,091
Gilroy	52,506	53,377	54,324	55,170	55,336	55,615
Los Altos	**30,128**	**30,273**	**30,513**	**31,353**	**31,298**	**31,361**
Los Altos Hills	8,455	8,548	8,595	8,658	8,417	8,568
Los Gatos	30,723	30,992	31,157	31,376	30,448	30,601
Milpitas	68,973	71,152	74,140	75,521	74,327	74,865
Monte Sereno	3,410	3,430	3,445	3,475	3,528	3,630
Morgan Hill	40,486	41,562	42,382	43,645	43,680	44,513
Mountain View	75,226	75,425	76,712	77,925	80,897	81,527
Palo Alto	66,604	66,960	67,331	68,207	69,446	69,721
San Jose	998,728	1,014,434	1,030,053	1,042,094	1,042,782	1,051,316
Santa Clara	120,660	121,355	121,580	123,752	125,528	129,604
Saratoga	30,066	30,092	30,060	30,219	31,271	31,435
Sunnyvale	144,752	145,314	146,629	148,372	150,599	153,389
Balance of County	86,877	86,811	87,029	87,352	87,465	87,666
County Total	1,769,317	1,793,002	1,816,945	1,840,536	1,937,473	1,956,598

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

Employment

The County civilian labor force figures are shown in the following table for the years 2012 through 2018, the most recent annual information available. These figures are County-wide and may not necessarily reflect employment trends in the District.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT[(1)]
SANTA CLARA COUNTY, CALIFORNIA, AND UNITED STATES

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[(2)]
2012				
Santa Clara County	959,700	884,300	75,500	7.9%
California	18,519,000	16,589,700	1,929,300	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
Santa Clara County	974,200	911,300	62,900	6.5%
California	18,596,800	16,933,300	1,663,500	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
Santa Clara County	995,700	944,500	51,200	5.1%
California	18,726,400	17,474,600	1,251,800	6.7
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
Santa Clara County	1,018,400	976,100	42,300	4.2%
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
Santa Clara County	1,024,000	985,100	38,900	3.8%
California	19,093,700	18,048,800	1,044,800	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9%
2017				
Santa Clara County	1,042,000	1,008,600	33,400	3.2%
California	19,312,000	18,393,100	918,900	4.8%
United States	160,320,000	153,337,000	6,982,000	4.4%
2018				
Santa Clara County	1,048,800	1,021,500	27,300	2.6%
California	19,398,200	18,582,800	815,400	4.2%
United States	162,075,000	155,761,000	6,314,000	3.9%

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

Industry

Professional and business services are the largest employer in the County followed by manufacturing; educational and health services; and trade, transportation and utilities. The table below shows the estimated employment by industry group for 2013 through 2017.

EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES COUNTY OF SANTA CLARA
2013 through 2017 by Industry Group

	2013	2014	2015	2016	2017
Agriculture total	3,300	3,500	3,600	3,900	3,500
Mining, logging and construction	36,700	38,800	42,300	47,600	48,300
Manufacturing	153,100	155,900	159,400	161,300	163,400
Trade, transportation and utilities	132,200	134,400	135,800	137,300	135,100
Information	58,600	66,200	74,700	74,500	85,000
Financial Activities	33,500	34,300	35,000	35,200	35,800
Professional and business services	190,100	201,800	214,900	224,100	226,400
Educational and health services	142,600	148,700	155,400	160,600	167,400
Leisure and hospitality	86,300	90,700	94,500	97,600	100,800
Other Services	25,000	26,000	26,700	27,000	28,200
Government	89,000	90,600	89,900	91,200	92,800
Non Agriculture Total	947,000	987,400	1,028,600	1,056,700	1,083,400

Source: California State Employment Development Department.

Major Employers

The County is host to a diverse mix of major employers representing industries ranging from technology to health services and government. The following table lists the County's major employers for 2018.

COUNTY OF SANTA CLARA
2018 MAJOR EMPLOYERS

Employer	Employees
Apple Computer, Inc.	25,000
Google Inc.	20,000
County of Santa Clara	18,806
Stanford University	16,919
Cisco Systems Inc.	14,120
Kaiser Permanente	12,500
Stanford Healthcare	10,034
Tesla Motors Inc.	10,000
Intel Corporation	8,450
City of San Jose	6,159

Source: County of Santa Clara Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018.

Building Permits

The following tables present the building permit valuation and number of new dwelling units in the County and the City for fiscal years 2013 through 2017.

COUNTY OF SANTA CLARA
Building Permit Valuations and Number of Dwelling Units
2013 through 2017

	2013	2014	2015	2016	2017
Valuation					
Single Family Residential	$694,884,637	$594,472,707	$653,970,222	$660,301,615	$732,652,136
Multi-Family Residential	941,420,413	1,196,127,752	706,781,068	564,761,032	1,027,651,785
Residential Alterations	423,739,588	439,747,109	505,844,676	484,820,142	547,991,731
Total Residential	$2,060,044,638	$2,230,347,568	$1,866,595,966	$1,709,882,789	$2,308,295,652
Non-Residential	$2,889,547,404	$1,121,199,429	$1,892,754,384	$1,709,882,789	$1,572,466,631
Non-Residential Alterations	1,293,656,087	1,534,213,149	1,697,046,168	2,072,862,811	1,786,849,751
Total Non-Residential	$4,183,203,491	$2,655,412,578	$3,589,800,552	$4,698,158,940	$3,359,316,382
Total Permit Valuations	$6,243,248,129	$4,885,760,146	$5,456,396,518	$6,408,041,729	$5,667,612,034
Number of New Dwelling Units					
Single Family	1,859	1,602	1,710	1,608	2,022
Multi- Family	6,009	8,310	3,906	3,297	6,629
Total	7,868	9,912	5,616	4,905	8,651

Source: Construction Industry Research Board.

CITY OF LOS ALTOS
Building Permit Valuations and Number of Dwelling Units
2013 through 2017

	2013	2014	2015	2016	2017
Valuation					
Single Family Residential	$46,592,118	$25,654,125	$35,099,950	$48,843,690	$39,558,724
Multi-Family Residential	41,906,370	45,541,000	402,780	0	793,000
Residential Alterations	38,659,948	39,958,501	41,124,023	38,357,670	39,920,112
Total Residential	$127,158,436	$111,153,626	$76,626,753	$87,201,360	$80,271,836
Non-Residential	$46,417,337	$19,941,059	$10,440,195	$4,156,965	$2,533,642
Non-Residential Alterations	9,124,768	8,880,273	19,669,894	5,336,988	9,092,760
Total Non-Residential	$55,542,105	$28,821,332	$30,110,089	$9,493,953	$11,626,402
Total Permit Valuations	$182,700,541	$139,974,958	$106,736,842	$96,695,313	$91,898,238
Number of New Dwelling Units					
Single Family	79	33	42	50	42
Multi- Family	215	182	4	0	4
Total	294	215	46	50	46

Source: Construction Industry Research Board.

Commercial Activity

The tables below show the number of permits and taxable transactions in the County and the City between 2012 and 2016, the most recent data available.

COUNTY OF SANTA CLARA
Valuation of Taxable Transactions
Fiscal Years 2012 through 2016

	Retail and Food Services	Total All Outlets
Year	Taxable Transactions*	Taxable Transactions*
2012	$43,980	$36,220,445
2013	45,310	37,621,606
2014	45,852	39,628,655
2015	50,573	41,231,758
2016	50,519	41,831,668

* In thousands.
Source: California Board of Equalization Taxable Sales in California.

CITY OF LOS ALTOS
Valuation of Taxable Transactions
Fiscal Years 2012 through 2016[1]*

	Retail and Food Services	Total All Outlets
Year	Taxable Transactions*	Taxable Transactions*
2012	$192,009	$209,680
2013	189,710	209,851
2014	194,498	214,675
2015	205,159	228,866
2016	205,152	228,528

[1] 2016 is the most recent data available.
* In thousands.
Source: California Board of Equalization Taxable Sales in California.

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APPENDIX C

LOS ALTOS SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
(INCLUDING AUDITED FINANCIAL STATEMENTS)
FOR FISCAL YEAR ENDED JUNE 30, 2018

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Los Altos School District

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

201 Covington Road
Los Altos, California 94024

Los Altos School District

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Mr. Jeffrey C. Baier
Superintendent

Mr. Randall A. Kenyon
Assistant Superintendent, Business Services

Los Altos School District
201 Covington Road
Los Altos, California 94024
650-947-1150
www.losaltos.k12.ca.us

Los Altos School District
A K–8 School District
Santa Clara County, California

Los Altos School District
Los Altos, California

Los Altos School District, a small suburban K–8 school district, is located in the San Francisco Bay Area in Santa Clara County. We are in the northwest section of the county, with neighboring cities Palo Alto, Mountain View, and Cupertino.

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Introductory Section

Los Altos School District
201 Covington Road
Los Altos, California 94024
Tel: (650) 947-1150 FAX: (650) 947-0118

December 14, 2018

To Honorable Board of Trustees and Citizens of the Los Altos School District:

We hereby submit the Comprehensive Annual Financial Report of the Los Altos School District for the fiscal year ended June 30, 2018 (FY 2018). Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with district management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

This report is prepared in conformance with generally accepted accounting principles (GAAP) for governments as promulgated by the Government Accounting Standards Board (GASB). This report is consistent with legal reporting requirements of the State of California. The report also includes a "State and Federal Compliance Information" section which is designed to meet the reporting requirements of the Office of the California State Controller, the U. S. Government Accountability Office, the U. S. Office of Management and Budget, and the Single Audit Act Amendments of 1996.

The district's financial statements have been audited by Chavan & Associates, LLP, a certified public accounting firm. They have issued an unmodified ("clean") opinion on the district's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

The report also includes a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). It provides an objective and easily readable analysis of the district's financial activities on both a short and long term basis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The district's MD&A can be found immediately following the report of the independent auditor.

Profile of the District

Los Altos School District, one of thirty-two districts in Santa Clara County in California, is an elementary school district serving students from kindergarten to grade eight. We are located in the heart of Silicon Valley in the San Francisco Bay Area. The district boundaries include most of the City of Los Altos, half of the Town of Los Altos Hills, parts of the cities of Mountain View and Palo Alto, and some unincorporated county lands. Los Altos School District was founded in 1909. The district's mission statement is as follows—"the Los Altos School District inspires a passion for learning and prepares all K–8 students to thrive in our rapidly changing global community."

The district serves a general population estimated at 45,040 in an area of approximately 21 square miles. In FY 2018 the district employed 454 full-time equivalent workers. Of that total, 287 were certificated employees and 167 were classified employees. Certificated employees (teachers, psychologists and counselors, nurses, principals, and other administrators) require a credential as a condition of employment. Classified employees are those for whom having a credential is not a condition of employment. Classified employees include among others instructional aides, school secretaries and other clerical staff, custodians, and maintenance workers.

An elected five-member board of trustees governs the district. The board's duties and powers include establishing a long-term vision for the district; ensuring accountability to the local community; acquiring, maintaining, and disposing of property; developing a sound organizational structure and school program; adopting an annual budget; and, establishing a system of accounting and budgetary controls. Trustees are elected for four-year terms. The superintendent, Jeff Baier, runs the day-to-day operations of the district. The district is a public agency governed by the laws of the State of California. Los Altos School District is fiscally dependent on the Santa Clara County Office of Education. The district has no component units nor is it a component of any other entity.

The district currently has 4,240 students enrolled in nine schools—seven elementary (K–6) and two intermediate (7–8). Most of our students live in neighborhoods of relatively high socio-economic status. Many of the executive officers of our country's most prominent technology firms live within our district. The average home price in the city of Los Altos in 2017 was just under $3.5 million.

Economic Condition and Outlook

We continue to enjoy the support of the local community and a generally strong recovery from the recent recession. Our primary source of funding, property tax collections, has continued growing significantly over the last few years. We need to be wary though of a downturn in the economy, which most economists predict is not likely until 2020 or later.

The local housing market bears strongly on property tax collections. During the recession homes stayed on the market longer and housing prices declined, although only slightly. The average sales price nine years ago was a little over $2 million and the average six years ago had dropped to just under $1.8 million—while the current average has returned well above the $3 million level. Along with increased market activity, we have witnessed AV (assessed value) growth and subsequent tax collection increases in the 6–9% range over the last five years.

California law stipulates that the assessed valuation (AV) of secured property can rise from one year to the next no more than the year-over-year increase in state CPI or 2%, whichever is less. Offsetting this factor is change in AV due to new homes being built or housing turnover wherein the new AV represents the sales price of the home. Since one-fifth of all homes in our community have assessed valuations of $200,000 or less and with the recent average sales price of around $3.5 million, there is potential for significant AV increases—depending on the amount of turnover.

We continue to receive solid support from the local community through significant educational foundation and PTA funding as well as two parcel taxes that generate 17% of our total General Fund revenue.

Achievement

The district prides itself on providing an outstanding education to our students. Until recently there was statistical evidence showing how well district students have performed on standardized tests. That evidence included the following:

- The most recent (2013) state Academic Performance Index (API) ranked all district schools among the highest in the state. Overall our students recorded the third highest test results in the state. We ranked in the top five in the state every year since the testing program began in 2000.
- Students in the district consistently scored within the top 2% of all children tested in California. California Assessment Program (CAP) scores in 1992 showed Los Altos students scoring at the 98th or 99th percentile in all grades and in all subject areas. 1997 California Achievement Test (CAT–5) scores, which were nationally normed, showed the average Los Altos student scoring higher than 88% of all students tested nationally. Over a fourteen year period (1998–2013) California's Standardized Testing and Reporting (STAR) test results, which also were nationally normed, showed the average Los Altos student scoring in the 80th – 90th percentile.
- All district schools are California Distinguished Schools and five of our nine schools (Blach, Egan, Gardner Bullis, Oak, and Santa Rita) have been chosen as national Blue Ribbon Schools.

The state's testing program has undergone a major overhaul as California implements the national Common Core standards. With three years of testing under the new California Assessment of Student Performance and Progress (CAASPP) for English/Language Arts and Mathematics, our students continue to demonstrate outstanding results. 85–90% of our students meet or exceed the statewide standards in these academic areas, significantly higher than the state averages of under 50%.

Long Term Planning/Major Initiatives

Academic Excellence

The district continues to improve and refine its academic offerings, focusing on identified curriculum areas and instructional strategies each year. Recruiting and retaining fully qualified and well trained teachers and administrators are high priorities.

District Enrollment

Until recently the district was experiencing steady enrollment growth over a ten year period, averaging 1.4% per year. In the last three years enrollment actually has decreased, by 8.5% (393 students) from three years earlier. However, with several high density housing projects in the pipeline we expect growth in enrollment in the not too distant future. Our demographic forecast shows enrollment relatively continuing to decline for a couple more years and remaining flat thereafter.

District Funding Status

For the typical school district in California, property taxes provide less than 40% of the total formula-driven general operating revenue guarantee (under the new Local Control Funding Formula scheme). The state contributes the remainder, over 60%, in state aid. In our district the picture is very different. Because of high assessed values, property tax collections are more significant and in fact have exceeded our funding guarantee—thus pushing us into what is called "basic aid" status.

A basic aid district is one in which the local property taxes collected for schools exceed the calculated revenue guarantee. Because basic aid districts get to keep property tax revenues in excess of the revenue limit, there can be a significant financial advantage to being "basic aid." As a basic aid district we are reliant on local property tax collections rather than dependent on state funding.

Reserves Policy

The district has a reserves policy reflecting the need of a basic aid district to have a higher level of reserves. The policy targets a general operating reserve of 3–5% and a second reserve layer as a basic aid district of a minimum of 5%. The state-required minimum reserves level for a district our size is 3%. District reserves at the end of FY 2018 were 7% of total outgo, a slight increase over the prior year.

Charter School

Bullis Charter School, a county-sponsored charter school, is located within the district and serves students in grades kindergarten through eighth grade. The majority of students attending the charter school are district residents while a small percentage of students (8%) come from outside the district. Based on state law the district is required to provide facilities for the in-district charter students and provide a share of its property tax revenues to the charter school as general purpose funding for all its students (in-district and out-of-district). In FY2018 the district apportioned $6.2 million to the charter school and provided facilities on two district campuses—at Egan and Blach junior highs—for the 812 in-district charter students.

School Buildings

All district schools were originally built between 1949 and 1961, with Loyola School being the oldest and Gardner Bullis School being built in 1961. All campuses were renovated in the early 2000's as part of the 1998 Bond Measure Program. In addition to the original buildings, on each campus we have added relocatable classrooms and other facilities to accommodate enrollment growth over the last thirty years. We currently have 128 relocatable buildings throughout the district, all on short term leases. It is expected we will convert most, if not all, relocatable buildings into permanent ones as part of our 2014 Bond Measure Program.

Major Initiatives

In California school districts are limited in their ability to tax the local citizenry to raise monies for schools. State law limits ad valorem taxes to 1% of assessed valuation (AV). AV is defined as 100% of the value of real property at the time of sale. The state limits annual increases in AV to no more than 2%. The only time property is reassessed is at the time of sale with the new assessment reflecting the sale price of the property. Ad valorem property tax revenues provide the base general purpose funding for our schools. The only additional taxing authority school districts have is for general obligation bonds and parcel taxes both of which require special elections and passage by a 2/3 majority vote. Proposition 39, enacted in 2000, permits passage of a local general obligation bond by a 55% majority under special circumstances.

In recent years the district has undertaken two major initiatives to deal with long term planning issues—a second parcel tax and a general obligation bond measure.

Parcel Tax. The district initially put a parcel tax measure before the voters in 1989. The measure, which imposed a flat per parcel assessment of $168, was approved and enabled the district to restore cut programs and to forestall future reductions. That tax has since been increased twice through voter elections. The most recent increase, which brought the tax up to $597 from $264, was approved in November 2002 by over 70% of the votes cast. This increase took effect in FY 2004 and generates an additional $4 million in general purpose revenues for a total of $7.5 million. The intent of the increase was to enable the district to continue its then current programs for several years, in spite of any state funding cutbacks. This tax has an indefinite lifespan.

As a result of continued funding cutbacks and a sluggish economy, the district sought voter approval of another parcel tax in May 2011. This second parcel tax, in the amount of $193 per parcel, was approved by over 2/3 of voters and lasts six years. This parcel tax was renewed by voter approval in the November 2016 election and will continue for an additional eight years (through June 2025). The additional funds enable the district to maintain consistency of program.

General Obligation Bonds. In the fall of 1998, a bond measure was placed before the voters of the district. The measure proposed issuing general obligation bonds in the amount of $94.7 million to provide funding to renovate and modernize existing buildings throughout the district and to build new classrooms and other buildings to replace ninety portable buildings leased by the district. The measure was approved, with a 75% affirmative vote.

The district issued its first series of bonds under the 1998 measure (Series A) for $40 million in February 1999. The district issued a second series (Series B) in May 2001 worth $46.7 million and a third and final series of bonds in October 2003 in the amount of $8 million. The district refinanced almost all of its outstanding bonds ($89.3 million) in June 2006. This refunding resulted in a net gain of $10.9 million which was used to modernize the Bullis-Purissima School (now called Gardner Bullis School). The impact on taxpayers of each of these bond issuances is expected to average $55 per $100,000 of assessed valuation (AV), not to exceed $60 per $100,000 AV. Prior to these issuances, the district had no outstanding debt. The district maintains excellent credit ratings, receiving an Aa2 rating from Moody's Investors Service and an AA rating from Standard & Poor's.

Another bond measure was placed before voters in November 2014. Voters approved this $150 million authorization with the measure securing 57.4% "yes" votes (of the 55% needed for passage). The school board has commissioned a facilities master plan committee to make recommendations regarding how best to use bond proceeds. Per the ballot language, the proceeds are intended to be used to address facility needs due to enrollment growth and to make improvements to existing facilities. The district is in the process of searching for an appropriate site to house a new school.

The bonds represent a general obligation of the district. The Board of Supervisors of the County of Santa Clara is empowered and obligated to levy ad valorem taxes without limitation as to rate or amount, for the payment of the interest on and principal of the bonds, upon all property subject to taxation by the district (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the district's Bond Interest and Redemption Fund, which is required to be maintained by the County and used solely for the repayment of the bonds and interest thereon when due.

Financial Information

Internal and Budgetary Controls

The district maintains internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use and disposition and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes the importance of a close evaluation of costs and benefits which requires estimates and judgments by management. The objective is to secure efficient internal control, the cost of which must not exceed the benefits derived there from. We believe that the district's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The district, under Assembly Bill 1200 (Chapter 1213, Statutes of 1991), utilizes a single-adoption budget schedule. The district adopts a Final Budget prior to the state-mandated July 1 deadline.

Expenditures cannot legally exceed appropriations by major object classification, namely certificated salaries, classified salaries, employee benefits, books and supplies, services and other operating expenditures, capital outlay, debt service, other outgo, direct support/indirect costs, and operating transfers out. Education Code 42600 specifies that school districts may not spend more than the amounts authorized in the Final Budget as adjusted during the school year. The school board reviews and approves (or disapproves) all purchase orders and other expenditures on a regular basis, but no less frequently than once every month.

Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding also lapse at that time.

Per Board Policy 3100 "the district's current-year budget and multi-year projections shall include adequate provisions for addressing the district's long-term financial obligations, including, but not limited to, long-term obligations resulting from collective bargaining agreements, financing of facilities projects, unfunded or future liability for retiree benefits, and accrued workers' compensation claims."

Fiscal Policies

One of the district's core values is small, neighborhood schools. The district has developed target school sizes and attempts to limit the enrollment at any one school from exceeding 600 students. The target sizes are—small school (280–330 students), medium school (400–440 students), and large school (530–580 students). Only one school (Egan Intermediate) in FY2018 had an enrollment exceeding 600 students, one school (Gardner Bullis) had an enrollment within the small school target range, and the remaining schools fell into the large school category or between the medium and large categories.

At the same time the district also values small class sizes. The district staffed its K–3 classes at a 22:1 student-to-teacher ratio, its grade 4–6 classes at a 25:1 ratio, and its junior high (grades 7–8) at a 24:1 ratio. With no school assistant principals and a lean district office management staff the district prides itself on committing resources to where it matters most—to the classroom. The district employs half the number of administrators permitted under state guidelines.

Decentralized Budgeting. The district practices decentralized budgeting in order to "create greater responsiveness to student needs, to improve instruction, to bring decisions on programs closer to those who are directly responsible and concerned with the education of students, to increase staff participation in budget decisions, to make the most efficient and effective use of available funds, and to develop greater responsiveness to community and neighborhood needs" (excerpt from District's Budget Development Guidelines). Linked to decentralized budgeting the district permits unspent program manager funds to be carried forward into the following year.

Independent Audit

Education Code Section 41020 provides that each school district shall arrange for an audit by certified public accountants of its books and accounts, including the district's income by source of funds and expenditures by object and program. The district's contract auditor for the fiscal year ended June 30, 2018 is Chavan & Associates, LLP.

Awards

ASBO

The Association of School Business Officials (ASBO) International awarded its Certificate of Excellence in Financial Reporting to Los Altos School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the thirteenth

consecutive year that the district has received this prestigious award. Receiving this award is recognition that the district has met the highest standards of excellence in financial reporting as adopted by ASBO. The award is granted after intensive review by an expert panel of certified public accountants and practicing school business officials. The district believes that this year's Comprehensive Annual Financial Report, which will be submitted to ASBO for review, will also conform to these high standards. The district has also received the ASBO Meritorious Budget Award every year for the last seventeen years.

GFOA

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Los Altos School District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

Copies of both the ASBO and GFOA award certificates are shown on the following pages.

Acknowledgements

We wish to express our appreciation to Kim Ginelli (Fiscal Services Specialist), the staff of the District Business Office, and Sheldon Chavan (managing partner) and the staff at Chavan & Associates, LLP for their work in preparing this report.

Respectfully submitted,

Jeffrey C. Baier
Superintendent

Randall A. Kenyon, Jr.
Assistant Superintendent, Business Services

Awards

ASBO Certificate of Excellence in Financial Reporting

For the Fiscal Year Ended June 30, 2017

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

The Certificate of Excellence in Financial Reporting is presented to

Los Altos School District

for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded ASBO International's Certificate of Excellence standards.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso, CAE
Executive Director

GFOA Certificate of Achievement for Excellence in Financial Reporting

For the Fiscal Year Ended June 30, 2017

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Altos School District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

District Organization

Los Altos School District was founded in 1909. Board members and central and site administrators are listed below.

Board of Trustees

Mrs. Jessica Speiser
President
Term expires 2020

Mr. Bryan Johnson
Vice-President
Term expires 2022

Mrs. Vaishali Sirkay
Clerk
Term expires 2022

Mr. Steven Taglio
Member
Term expires 2020

Mr. Vladimir Ivanovic
Member
Term expires 2022

District Administration

Mr. Jeffrey Baier
Superintendent

Mrs. Sandra McGonagle
Assistant Superintendent, Curriculum & Instruction

Ms. Erin Green
Director of Student & Staff Services

Mr. Randall Kenyon
Assistant Superintendent, Business Services

Mrs. Jennifer Keicher
Director of Special Education

Schools and School Principals

Elementary (K–6)

Almond School
Mrs. Raquel Matteroli

Covington School
Mr. Wade Spenader

Gardner Bullis School
Ms. Nadia Oskolkoff

Loyola School
Mr. Richard Julian

Oak School
Mrs. Kimberly Attell

Santa Rita School
Mr. Gregory Land

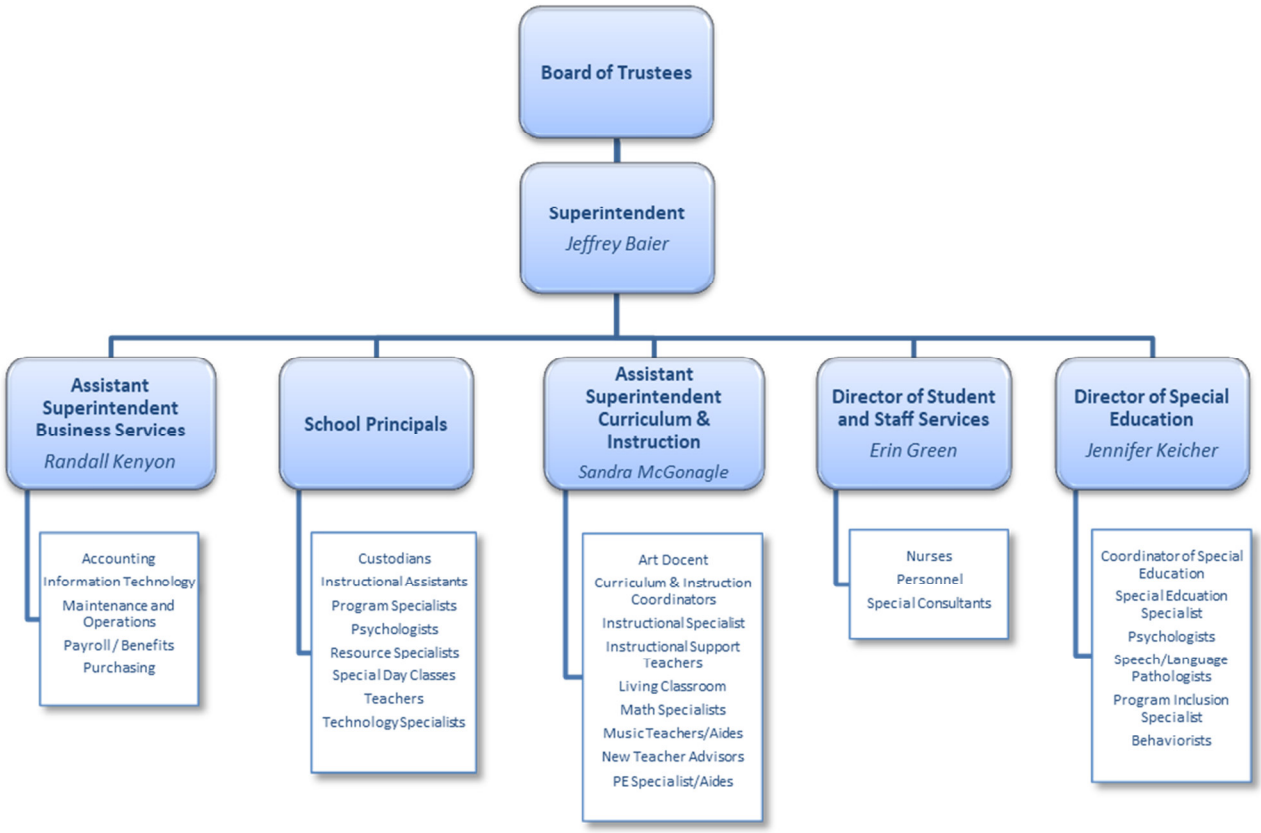
Springer School
Mrs. Robin Robinson

Intermediate (7–8)

Blach School
Mrs. Bhavna Narula

Egan School
Mr. Keith Rocha

Los Altos School District Organizational Chart: 2017–18



Financial Section

Independent Auditor's Report

Chavan & Associates, LLP
Certified Public Accountants

The Honorable Board of Trustees
Los Altos School District
Los Altos, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Altos 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 and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of 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 11 and Note 12, respectively. 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. 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 CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability, and schedule

of changes in total 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 introductory section, budgetary comparison information, combining and individual nonmajor fund financial statements, fiduciary funds statement, statistical section, 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the reconciliation of the Annual Financial 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 introductory section, budgetary comparison information, combining and individual nonmajor fund financial statements, fiduciary funds statement, statistical section, schedule of average daily attendance, schedule of instructional time offered, schedule of financial trends and analysis, the schedule of expenditures of federal awards, and the reconciliation of the Annual Financial Budget report to the audited financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Except for the schedule of financial trends and analysis, and the information contained in the introductory and statistical sections, 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, budgetary comparison information, combining and individual nonmajor fund financial statements, fiduciary funds statement, schedule of average daily attendance, schedule of instructional time offered, and the schedule of expenditures of federal awards, and the reconciliation of the Annual Financial 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 introductory section, the statistical section, and the schedule of financial trends and analysis 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 November 20, 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

November 20, 2018
San Jose, California

Management's Discussion & Analysis

The discussion and analysis of Los Altos School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018 ("FY 2018"). The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements along with the notes to these statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for FY 2018 are as follows:

- At year-end the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by $23.1 million (net position), a decrease of $16.8 million in total net position.
- General revenues (property taxes and unrestricted revenue) accounted for $71.7 million or 91% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $7.3 million or 9% of total revenues of approximately $79.0 million. Total revenues were approximately $1.5 million less than expenses, contributing to the change in net position from the prior year.
- The District's $80.4 million in expenses were offset by $7.3 million of program specific charges for services, grants, or contributions. The balance, $73.1 million, was offset by general revenues.
- The District has four major funds—the General Fund, the Building Fund, the Capital Facilities Fund, and the Bond Interest and Redemption Fund.
    - At the end of FY 2018, the fund balance of the General Fund, including the Special Reserve Funds as required by GASB 54, was $5.3 million. Of this total, $2.0 million was unassigned. General reserves were 6.3% of General Fund outgo. The General Fund had $63.5 million in revenues and transfers in, and $65.8 million in expenditures and transfers out, a decrease in fund balance of $2.3 million from the prior year.
    - Building Fund revenues and expenditures can vary significantly from one year to the next. The ending fund balance in FY 2018 of $3.8 million is $2.3 million greater than in the prior year. We continue to elect to treat the Building Fund as a major fund since fund balances have been higher in the past and we expect higher levels in the near future.
    - The FY 2018 ending balance of the Capital Facilities Fund was $1.2 million an increase of $1.2 million from the prior year.
    - Because of an increase in property tax collections the fund balance of the Bond Interest and Redemption Fund grew from $10.0 million to $10.7 million.

Using the Annual Report

This annual financial report contains, in addition to this Management Discussion and Analysis, the District's basic financial statements and supplementary information. These three sections together provide a comprehensive overview of the District's finances. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operation in more detail. These fund financial statements comprise the remaining statements.

Notes to the financials, which follow the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information sections provide further explanations and additional support for the financial statements, including a comparison of the District's budget to actual revenues and expenditures for the year.

Additional elements of this report include sections on State and Federal Award Compliance, Other Independent Auditor's Reports, and Findings and Recommendations as well as a Statistical Section.

Overview of the Financial Statements

Government-wide Financial Statements—Statement of Net Position and the Statement of Activities

While this document contains specific information on the many 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 previous year?" 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 used by most private-sector companies. The accrual basis of accounting recognizes 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 either 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, facilities condition, 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 plants and facilities, pupil transportation and extracurricular activities. The District does not have any business-like activities.

The government-wide financial statements can be found on pages 12–13 of this report.

Fund Financial Statements

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses several funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds and not the District as a whole. The District's major governmental funds are the General Fund, the Building Fund, the Capital Facilities Fund, and the Bond Interest and Redemption Fund.

Governmental Funds. Most of the District's activities are reported in governmental funds. Governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end available for spending in 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 you to determine whether there are more or fewer financial resources that can be spent in the near 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 on page 18. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

Government-wide Financial Analysis

As stated earlier the Statement of Net Position and the Statement of Activities provide a financial glimpse of the District as a whole. "Table 1: Summary of Net Position" provides a summary of the District's net position for FY 2018 as contained in the Statement of Net Position and compares that information to FY 2017.

As the table shows, our total net position as of June 30, 2018 was a deficit of $23.1 million, a decrease from the prior year of $16.8 million. A large portion of the deficit reflects the District's share of net pension liabilities required for reporting in accordance with GASB 68 which went into effect during 2015. The impact of adjustments to GASB 68 resulted in net pension liabilities recorded during FY 2018 in the amount of $60.2 million. Additionally, the total OPEB obligation increased by $15.3 million due to a change in accounting principles required by GASB 75 that went into effect in FY 2018.

The District's net investment in capital assets was $21.3 million. The District uses capital assets to provide services; consequently, these assets are usually not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves usually are not used to liquidate the debt.

Approximately $15.6 million of the District's net position represents resources subject to external restrictions on how they may be used. These assets are either restricted for future spending or set aside to pay debt service on general obligation bonds. $848,850 is required

to be spent on specific federal and state programs—funds carried over into the next fiscal year. $4.9 million by state law, can only be spent on capital projects. $9.8 million is set aside for debt service payments in the subsequent fiscal year.

Table 1: Summary of Net Position

	June 30, 2017	June 30, 2018	*Change*	*Percentage Change*
Assets				
Current and Other Assets	$ 20,849,997	$ 23,419,942	*$ 2,569,945*	*12%*
Capital Assets	89,797,036	87,247,384	*(2,549,652)*	*-3%*
Total Assets	$ 110,647,033	$ 110,667,326	*$ 20,293*	*0%*
Deferred Outflows of Resources	$ 21,525,621	$ 21,032,236	*$ (493,385)*	*-2%*
Liabilities				
Other Liabilities	$ 2,693,721	$ 3,231,166	*$ 537,445*	*20%*
Long-Term Liabilities	129,596,379	147,287,986	*17,691,607*	*14%*
Total Liabilities	$ 132,290,100	$ 150,519,152	*$ 18,229,052*	*14%*
Deferred Inflows of Resources	$ 6,152,125	$ 4,291,916	*$ (1,860,209)*	*-30%*
Net Position				
Net Investment in Capital Assets	$ 17,219,436	$ 21,302,335	*$ 4,082,899*	*24%*
Restricted	10,708,359	15,597,003	*4,888,644*	*46%*
Unrestricted	(34,197,366)	(60,010,844)	*(25,813,478)*	*75%*
Total Net Position	$ (6,269,571)	$ (23,111,506)	*$ (16,841,935)*	*269%*

In comparing FY 2018 to the prior year we note the following:

- Current and other assets increased by $2.6 million, which is partly due to the issuance of $2.5 million in bond anticipation notes in FY 2018.
- A decrease in capital assets is the result of depreciation expense.
- Long-term liabilities increased by $17.7 million, primarily due to the application of GASB 68 and GASB 75, which requires the District to recognize net pension liabilities and OPEB obligations in the government-wide statement of net position. The net pension liabilities recorded in FY 2018 were $60.2 million and OPEB liabilities were $18.6 million. For more information on pension and OPEB liabilities, see Note 11 and Note 12, respectively, in the "Notes to the Basic Financial Statements" section.
- Other liabilities in FY 2018 increased primarily due to timing differences in accounts payable balances as compared with FY 2017.
- Of our total net position, net investment in capital assets increased by $4.1 million because of a decrease in related debt from repayment of bond principal.
- Our unrestricted net position decreased by $25.8 million mainly due to the application of GASB 68 and GASB 75.

"Table 2: Change in Net Position" reflects data extracted from the Statement of Activities and shows the changes in net position from FY 2017 to FY 2018.

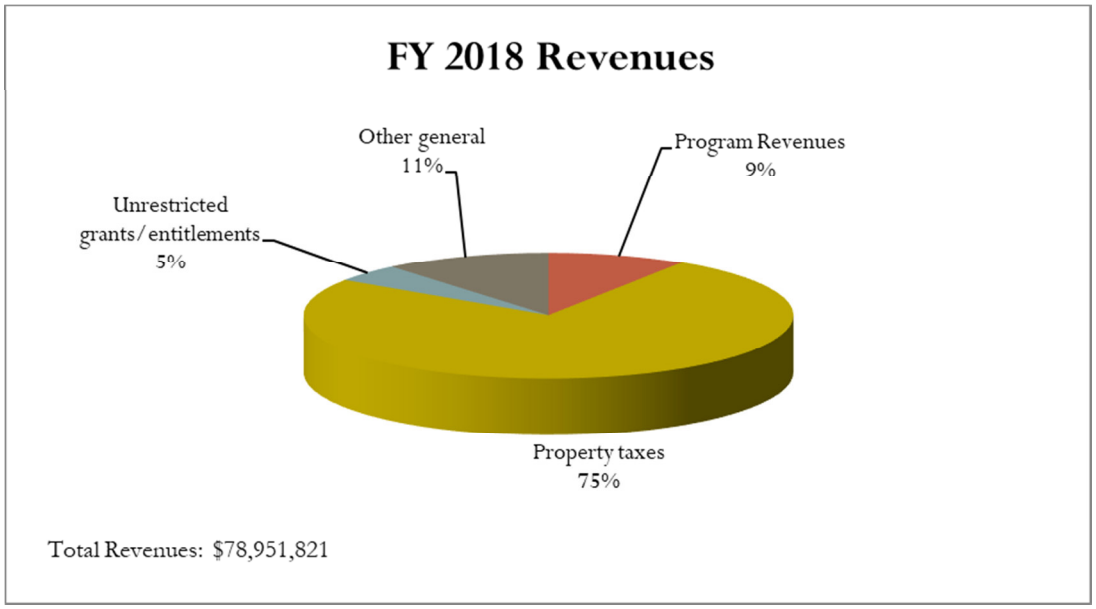
Table 2: Change in Net Position

	June 30, 2017	June 30, 2018	*Change*	*Percentage Change*
Revenues				
Program Revenues:				
Operating Grants and Contributions	$ 6,002,866	$ 7,278,355	*$ 1,275,489*	*21%*
General Revenues:				
Property Taxes	57,212,216	59,324,124	*2,111,908*	*4%*
Grants and Entitlements - Unrestricted	3,410,102	3,595,525	*185,423*	*5%*
Other	6,247,512	8,753,817	*2,506,305*	*40%*
Total Revenues	72,872,696	78,951,821	*6,079,125*	*8%*
Program Expenses				
Instruction	42,163,508	52,535,485	*10,371,977*	*25%*
Support Services:				
Instruction-related services	6,735,656	6,987,627	*251,971*	*4%*
Pupil services	4,057,366	4,490,916	*433,550*	*11%*
General administration	4,101,976	4,343,617	*241,641*	*6%*
Plant services	8,634,495	8,594,969	*(39,526)*	*0%*
Other educational programs	14,248	7,067	*(7,181)*	*-50%*
Interest and Fiscal Charges	5,007,437	3,458,455	*(1,548,982)*	*-31%*
Total Expenses	70,714,686	80,418,136	*9,703,450*	*14%*
Change in Net Position	2,158,010	(1,466,315)	*(3,624,325)*	*-168%*
Beginning Net Position	(8,427,581)	(6,269,571)	*2,158,010*	*-26%*
Prior Period Adjustment	-	(15,375,620)	*(15,375,620)*	*0%*
Beginning Net Position as Adjusted	(8,427,581)	(21,645,191)	*(13,217,610)*	*157%*
Ending Net Position	$ (6,269,571)	$ (23,111,506)	*$ (16,841,935)*	*269%*

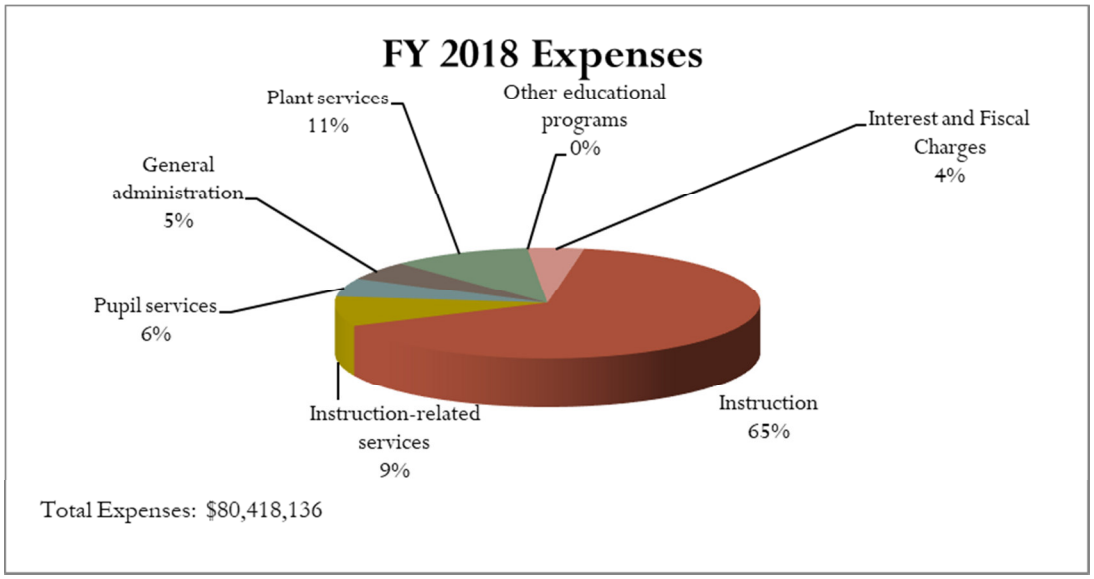
The most significant changes resulted from the following:

- Property tax collections were higher due to an increase in property assessed valuations.
- Other general revenues increased primarily as a result of PTA donations.
- Expenditures on instruction and instruction related services increased in FY 2018 due to negotiated salary increases, additional staffing, and increased professional development opportunities for teachers.
- Interest and fiscal charges decreased as a result of advance refunding of outstanding bonds in FY 2017.

District programs for FY 2018 cost $80.4 million. To support those programs the District garnered $7.3 million in program revenues. The balance of support came from property taxes and other general revenues. Since property tax collections amounted to $59.3 million, the District's dependence upon tax revenues is apparent. The chart below shows FY 2018 revenues by category.



Instruction comprises 65% of District expenses. Support service expenses make up 30% of the total, with the balance being interest and fiscal charges. The accompanying chart displays FY 2018 expenses by category.



Governmental Activities

The Statement of Activities on page 13 shows the cost of program services and the charges for services and grants offsetting those services. "Table 3: Net Cost of Services" extracts information from the Statement of Activities and compares the net cost of services from one year to the next. It identifies the cost of those services supported by tax revenue and unrestricted state entitlements. The net cost of services increased by $8.4 million due to an overall increase in spending as noted previously.

Table 3: Net Cost of Services

	Net Cost of Services for the Fiscal Year Ended June 30, 2017	Net Cost of Services for the Fiscal Year Ended June 30, 2018	*Change*	*Percentage Change*
Instruction	$ 36,788,150	$ 46,712,419	*$ 9,924,269*	*27%*
Support Services:				
Instruction-related services	6,361,791	6,639,651	*277,860*	*4%*
Pupil services	3,837,289	4,232,249	*394,960*	*10%*
General administration	4,068,613	4,296,904	*228,291*	*6%*
Plant services	8,634,292	7,793,036	*(841,256)*	*-10%*
Other educational programs	14,248	7,067	*(7,181)*	*-50%*
Interest and Fiscal Charges	5,007,437	3,458,455	*(1,548,982)*	*-31%*
Total Expenses	$ 64,711,820	$ 73,139,781	*$ 8,427,961*	*13%*

The expense categories shown in Table 3 are summarized below.

- "Instruction" expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- "Instruction-related services" and "pupil services" include the activities involved with assisting staff with the content and process of teaching to pupils, as well as direct non-instructional services to students (including health, library, transportation, and other services).
- "General administration" costs include expenses associated with the administrative and financial supervision of the District.
- "Plant services" involve keeping the school grounds, buildings, and equipment in good working condition.
- "Other educational programs" reflects the cost of in-district students attending charter schools outside the District.
- "Interest and fiscal charges" involve the transactions associated with the payment of interest and other charges related to debt of the District.

Financial Analysis of the District's Funds

The District's governmental funds report a combined fund balance of $21.1 million, an increase of $1.9 million from the prior year. "Table 4: Governmental Fund Balances" provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4: Governmental Fund Balances

Fund	Fund Balance June 30, 2017	Fund Balance June 30, 2018	*Increase (Decrease)*	*Percentage Change*
General	$ 7,626,247	$ 5,275,622	*$ (2,350,625)*	*-31%*
Building	1,471,953	3,781,533	*2,309,580*	*157%*
Bond Interest & Redemption	10,040,867	10,698,060	*657,193*	*7%*
Deferred Maintenance	63,169	165,001	*101,832*	*161%*
Capital Facilities	2,349	1,160,018	*1,157,669*	*49283%*
Total	$ 19,204,585	$ 21,080,234	*$ 1,875,649*	*10%*

The following information helps explain the changes from the prior year.

- General Fund reserves decreased primarily as a result of negotiated salary increases and additional spending on special education services and facilities repair.

- The increase in fund balance for the Building Fund resulted from an excess of bond proceeds after paying for summer projects.
- The Bond Interest and Redemption Fund is used to repay bonded indebtedness. The fund balance will fluctuate depending on the debt repayment schedule.
- The Deferred Maintenance fund balance increased primarily due to decreased spending than in the prior year.
- The increase in the Capital Facilities Fund is the result of increased developer fees as a result of a large housing project.

General Fund Budgetary Highlights

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

During the course of the 2018 fiscal year the District amended its General Fund budget numerous times, resulting in changes to revenue and expenditure estimates. Expenditure appropriation adjustments were made to reflect actual staffing, salary changes for professional growth credit earned by teachers, changes in the cost of contracted services, and the spending of one-time grants carried forward from the prior year.

While General Fund expenditures exceeded budget by $1,686,308, the fund balance was more than adequate to cover the excess expenditures. The overages reflect additional expenditures resulting from unbudgeted PTA revenues obtained directly by the schools and unanticipated repair costs at year-end. Expenditures within the Capital Facilities Fund exceeded budget by $101,969 resulting from higher than anticipated costs of installing new portable classrooms.

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. In early June the District made its final appropriations adjustments to match expected revenue and expenditure totals as closely as possible.

Capital Assets and Long-term Liabilities

Capital Assets

At the end of the fiscal year, the District had $87.2 million invested in land, buildings, and equipment (including computer equipment, furniture, and vehicles). "Table 5: Capital Assets" shows FY 2018 balances as compared to the prior year.

Capital outlay during the fiscal year included only the purchase of computer-ware. For more information see the Notes to the Basic Financial Statements (Note 5; page 29).

Table 5: Capital Assets

	June 30, 2017	June 30, 2018	*Increase (Decrease)*	*Percentage Change*
Land	$ 1,488,885	$ 1,488,885	$ -	*0%*
Site improvements	1,225,056	1,225,056	-	*0%*
Buildings and improvements	127,311,189	127,311,189	-	*0%*
Equipment	2,570,571	2,575,967	*5,396*	*0%*
Total	132,595,701	132,601,097	*5,396*	*0%*
Less: Accumulated Depreciation	42,798,665	45,353,713	*2,555,048*	*6%*
Net Capital Assets	$ 89,797,036	$ 87,247,384	$ *(2,549,652)*	*-3%*

Long Term Liabilities

As of June 30, 2018, the District had $147.3 million in long-term obligations. A large amount of this total is debt service on general obligation bonds issued by the District to finance its construction and modernization program. The District's long-term liabilities also include $60.2 million for pension obligations, which represents the District's share of CalPERS and STRS liabilities. Other postemployment benefit obligations (OPEB) totaled $18.6 million, which represents application of GASB 75, starting in FY 2018. $440,045 of long term obligations is the amount of compensated absences liability recorded by the District at year end, an increase of $74,392 from the prior year.

"Table 6: Long Term Liabilities" shows the District's outstanding debt as of June 30, 2018 as well as comparable data for the prior year. A more detailed discussion is included in the Notes to the Financial Statements (Note 7) starting on page 29.

State law limits the amount of general obligation debt an elementary school district may issue to 1.25% of its total assessed valuation. The debt limitation for the District as of June 30, 2018 was $279.7 million, which is $220 million greater than the District's outstanding general obligation debt as of that date.

Table 6: Long-term Liabilities

	June 30, 2017	June 30, 2018	*Increase (Decrease)*	*Percentage Change*
Long-term Debt:				
General obligation bonds:				
Current interest bonds	$ 57,840,000	$ 49,645,000	*$ (8,195,000)*	*-14%*
Unamortized bond premium	6,894,365	5,745,304	*(1,149,061)*	*-17%*
Bond anticipation notes	7,500,000	10,000,000	*2,500,000*	*33%*
Lease-leaseback obligations	2,816,856	2,616,096	*(200,760)*	*-7%*
Subtotal long-term debt	75,051,221	68,006,400	*(7,044,821)*	*-9%*
Other Long-term Liabilities:				
Net pension liabilities	50,882,364	60,195,994	*9,313,630*	*18%*
Net OPEB obligation	3,297,141	18,645,547	*15,348,406*	*466%*
Compensated absences	365,653	440,045	*74,392*	*20%*
Subtotal other long-term liabilities	54,545,158	79,281,586	*24,736,428*	*45%*
Total Long-term Liabilities	$ 129,596,379	$ 147,287,986	*$ 17,691,607*	*14%*

Factors Bearing on the District's Future

- A slowing of the growth in the national and state economy is expected as early as late 2019.
- Housing turnover and significant increases in home prices continue to fuel growth in property tax collections.
- The charter school, which has enrolled over 900 District students, continues to impact District finances.
- Continued escalating insurance costs (health, workers compensation, property and liability, etc.) and competition for quality teachers both create additional potential financial burdens on the District.
- A recently voter-approved bond measure should enable the District to discontinue using General Fund monies to help pay for capital improvements and repairs.

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 Mr. Randall Kenyon, Assistant Superintendent for Business Services, Los Altos School District, 201 Covington Road, Los Altos, California 94024.

Basic Financial Statements

Los Altos School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash in county treasury	$ 22,363,536
Cash in revolving fund	5,000
Accounts receivable	983,531
Due from grantor government	67,875
Capital assets - net:	
Land	1,488,885
Site improvements	1,225,056
Building and improvements	127,311,189
Equipment	2,575,967
Less accumulated depreciation	(45,353,713)
Total capital assets - net	87,247,384
Total Assets	$ 110,667,326
Deferred Outflows of Resources	
Deferred loss on early retirement of long-term debt	$ 2,061,351
OPEB adjustments	963,288
Pension adjustments	18,007,597
Total Deferred Outflows of Resources	$ 21,032,236
Liabilities	
Accounts payable	$ 2,321,149
Unearned revenue	18,559
Accrued interest	891,458
Long-term liabilities:	
Due within one year:	
General obligation bonds:	
2016 General obligation refunding bonds	6,028,626
2013 General obligation refunding bonds	4,100,435
Subtotal general obligation bonds	10,129,061
Compensated absences payable	300,137
Site lease purchase obligation	210,451
Total due within one year	10,639,649
Due after one year:	
General obligation bonds:	
2016 General obligation refunding bonds	24,829,505
2013 General obligation refunding bonds	20,431,738
Subtotal general obligation bonds	45,261,243
Bond anticipation notes	10,000,000
Site lease purchase obligation	2,405,645
Compensated absences payable	139,908
Net pension liabilities	60,195,994
Net OPEB obligation	18,645,547
Total due after one year	136,648,337
Total long-term liabilities	147,287,986
Total Liabilities	$ 150,519,152
Deferred Inflows of Resources	
OPEB adjustments	$ 976,976
Pension adjustments	3,314,940
Total Deferred Inflows of Resources	$ 4,291,916
Net Position	
Net investment in capital assets	$ 21,302,335
Restricted for:	
Capital projects	4,941,551
Debt service	9,806,602
Educational programs	848,850
Unrestricted	(60,010,844)
Total Net Position	$ (23,111,506)

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

Los Altos School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 52,535,485	$ -	$ 5,823,066	$ (46,712,419)
Instruction-related services:				
Supervision of instruction	2,343,586	-	227,575	(2,116,011)
Instruction library, media and technology	1,213,274	-	-	(1,213,274)
School site administration	3,430,767	-	120,401	(3,310,366)
Pupil services:				
Home-to-school transportation	496,399	-	-	(496,399)
Food services	145,820	-	-	(145,820)
All other pupil services	3,848,697	-	258,667	(3,590,030)
General administration:				
Data processing	770,898	-	-	(770,898)
All other general administration	3,572,719	-	46,713	(3,526,006)
Plant services	8,594,969	-	801,933	(7,793,036)
Other educational programs	7,067	-	-	(7,067)
Interest on long-term debt	3,458,455	-	-	(3,458,455)
Total governmental activities	$ 80,418,136	$ -	$ 7,278,355	(73,139,781)
General revenues:				
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				44,853,236
Taxes levied for debt service				11,245,865
Taxes levied for other specific purposes				3,225,023
Federal and state aid not restricted to specific purposes				3,595,525
Interest and investment earnings				1,405,666
Miscellaneous				7,348,151
Total general revenues				71,673,466
Change in net position				(1,466,315)
Net position beginning				(6,269,571)
Prior period adjustments - GASB 75 OPEB				(15,375,620)
Net position beginning as adjusted				(21,645,191)
Net position ending				$ (23,111,506)

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

Los Altos School District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash in county treasury	$ 6,584,812	$ 3,778,303	$ 1,167,709	$ 10,668,484	$ 164,228	$ 22,363,536
Cash in revolving fund	5,000	-	-	-	-	5,000
Accounts receivable	940,925	5,640	6,617	29,576	773	983,531
Due from grantor government	67,875	-	-	-	-	67,875
Total Assets	$ 7,598,612	$ 3,783,943	$ 1,174,326	$ 10,698,060	$ 165,001	$ 23,419,942
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 2,304,431	$ 2,410	$ 14,308	$ -	$ -	$ 2,321,149
Unearned revenue	18,559	-	-	-	-	18,559
Total Liabilities	2,322,990	2,410	14,308	-	-	2,339,708
Fund balances:						
Nonspendable:						
Revolving fund	5,000	-	-	-	-	5,000
Restricted for:						
Educational programs	848,850	-	-	-	-	848,850
Debt service	-	-	-	10,698,060	-	10,698,060
Capital Projects	-	3,781,533	1,160,018	-	-	4,941,551
Assigned for:						
Educational programs	304,332	-	-	-	-	304,332
Site Repairs	-	-	-	-	165,001	165,001
Unassigned:						
Reserve for economic uncertainties	593,339	-	-	-	-	593,339
Unappropriated	3,524,101	-	-	-	-	1,381,913
Total Fund Balances	5,275,622	3,781,533	1,160,018	10,698,060	165,001	21,080,234
Total Liabilities and Fund Balances	$ 7,598,612	$ 3,783,943	$ 1,174,326	$ 10,698,060	$ 165,001	$ 23,419,942

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

Los Altos School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds		$ 21,080,234
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	$ 132,601,097	
Accumulated depreciation	(45,353,713)	87,247,384
Deferred outflows of resources indude amounts that will not be induded in the calculation of the District's net pension liability of the plan year induded in this report such as current fiscal year contributions as recorded in the fund statements.		18,007,597
The differences from pension plan assumptions in actuarial valuations are not induded in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.		(3,314,940)
The differences between projected and actual amounts in OPEB plans are not induded in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:		
OPEB adjustments:		
Contributions subsequent to the measurement date	$ 963,288	
Change in assumptions	(976,976)	(13,688)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		(891,458)
The difference between the reacquisition price and net carrying value of long-term debt when a bond is refunded is recorded as a deferred loss on the early retirement of long-term debt and a deferred outflow in the government-wide statement of net position and amortized over the remaining life of the refunded debt or refunding debt, whichever is shorter. This transaction is not a current financial resource and is not induded in the governmental fund statements.		2,061,351
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 consist of:		
General obligation bonds	$ 49,645,000	
Unamortized bond premium	5,745,304	
Bond anticipation note	10,000,000	
Site lease purchase obligation	2,616,096	
Net pension liabilities	60,195,994	
Net OPEB obligation	18,645,547	
Compensated absences (vacation)	440,045	(147,287,986)
Net position - governmental activities		$ (23,111,506)

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

Los Altos School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
LCFF Sources	$ 39,531,987	$ -	$ -	$ -	$ 300,174	$ 39,832,161
Federal revenue	1,102,424	-	-	-	-	1,102,424
Other state	4,966,563	-	-	30,206	-	4,996,769
Other local	17,917,428	324,070	2,347,326	11,280,063	2,519	31,871,406
Total revenues	63,518,402	324,070	2,347,326	11,310,269	302,693	77,802,760
Expenditures:						
Current						
Instruction	42,164,706	-	-	-	-	42,164,706
Instruction-related services:						
Supervision of instruction	2,336,569	-	-	-	-	2,336,569
Instruction library, media and technology	1,027,454	-	-	-	-	1,027,454
School site administration	3,238,340	-	-	-	-	3,238,340
Pupil services:						
Home-to-school transportation	496,399	-	-	-	-	496,399
Food services	145,100	-	-	-	-	145,100
All other pupil services	3,847,977	-	-	-	-	3,847,977
General administration:						
Data processing	763,437	-	-	-	-	763,437
All other general administration	3,521,274	-	-	-	-	3,521,274
Plant services	7,067,395	173,239	1,042,806	-	200,861	8,484,301
Other educational programs	7,067	-	-	-	-	7,067
Facilities acquisition and construction	296,785	352,055	146,851	-	-	795,691
Debt service:						
Principal	200,760	-	-	8,195,000	-	8,395,760
Interest and fees	728,460	16,500	-	2,458,076	-	3,203,036
Total expenditures	65,841,723	541,794	1,189,657	10,653,076	200,861	78,427,111
Excess (deficiency) of revenues over (under) expenditures	(2,323,321)	(217,724)	1,157,669	657,193	101,832	(624,351)
Other financing sources (uses):						
Transfers in	-	27,304	-	-	-	27,304
Transfers out	(27,304)	-	-	-	-	(27,304)
Issuance of debt	-	2,500,000	-	-	-	2,500,000
Total other financing sources (uses)	(27,304)	2,527,304	-	-	-	2,500,000
Net changes in fund balances	(2,350,625)	2,309,580	1,157,669	657,193	101,832	1,875,649
Fund balances beginning	7,626,247	1,471,953	2,349	10,040,867	63,169	19,204,585
Fund balances ending	$ 5,275,622	$ 3,781,533	$ 1,160,018	$ 10,698,060	$ 165,001	$ 21,080,234

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

Los Altos School District
Reconciliation of the Governmental Funds Statement of
Revenues and Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds		$ 1,875,649
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 asset additions	$ 5,396	
Less current year depreciation	(2,555,048)	(2,549,652)
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. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Repayment of site lease purchase obligations	$ 200,760	
Proceeds from draw down of bond anticipation note	(2,500,000)	
Repayment of bond principal	8,195,000	5,895,760
Discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:		
Amortization of bond premium	$ 1,149,061	
Amortization of deferred loss on early retirement of long-term debt	(412,270)	736,791
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.		(7,520,848)
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 OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		13,526
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:		(74,392)
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.		156,851
Changes in net position of governmental activities		$ (1,466,315)

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

Los Altos 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	$ 374,184
Total Assets	$ 374,184
Liabilities	
Due to student groups	$ 374,184
Total Liabilities	$ 374,184

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

Notes to the Basic Financial Statements

Note 1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

Los Altos 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 accounting principles generally accepted in the United States of America as prescribed by the U. S. 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 has evaluated whether any other entity should be included in these financial statements using criteria established by GASB. The District does not have any component units and is not a component unit of any reporting entity for the fiscal year ended June 30, 2018.

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. Eliminations have been made to minimize the effect of interfund of activities. However, interfund services provided and used are not eliminated in the process of consolidation. 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 proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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 non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities, and deferred inflows 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 except for agency funds, which have no measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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 Outflow of Resources and Deferred Inflow of Resources:
A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to pensions from the implementation of GASB Statement No. 68.

In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

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 unearned revenue. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. 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 unearned revenue.

Expenses/Expenditures:
Using 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, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. The 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 governmental (major and non-major) and fiduciary funds as follows:

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

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.
- The *Building Fund* is used to account for proceeds from the sale or lease of real property and 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").
- The *Bond Interest and Redemption Fund* is used to account for the interest and redemption of principal of general obligation bonds.

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 one non-major special revenue funds:

- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

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 two intermediate schools' 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.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Bond Interest and Redemption Fund. 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. A legally adopted budget is not required for the Bond Interest and Redemption Fund.

These budgets are revised by the District's governing board 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, in five expenditure categories, exceeded budget by $1,686,308 in total. The overage reflects additional expenditures resulting from PTA revenues obtained directly by the schools, which were not budgeted as well as unanticipated repair costs at year-end. Fund balance was more than adequate to cover the excess expenditures. Expenditures within the Capital Facilities Fund, in the services and other operating expenditures category, exceeded budget by $101,969. The overage results from higher than anticipated costs of installing new portable classrooms. 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. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (STRS) plans (Plans) 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 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 (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

I. 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.

J. Assets, Liabilities, and Equity

1. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash 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. This includes cash in the County Treasury. 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

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 cost and consists of expendable supplies held for consumption. The District had no inventory in its warehouse by the end of the fiscal year ended June 30, 2018.

Prepaid Expenditures

The District has the option of reporting expenditures 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, thus recording a prepaid expenditure in the Statement of Net Position. The District did not report any prepaid expenditures for the fiscal year ended June 30, 2018.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art, historical treasures, and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than at fair value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Assets	Years
Site improvements	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Reprographics equipment	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

5. Compensated Absences

All vacation pay 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.

6. 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. Bond issuance costs are expensed in the period paid and when bonds are issued.

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 or uses.

7. Fund Balance Classifications

The District's policy requires maintaining a minimum unassigned fund balance of not less than 8 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 aid 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*, and board policy, 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 balance 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. Through Board Policy 3100 and Administrative Regulations (AR3100) the District delegated the authority to assign fund balance amounts to the Superintendent and Assistant Superintendent of Business Services.
- *Unassigned* fund balance includes positive amounts within the general fund that have 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 (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.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. 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.

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.

9. 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, 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 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.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

10. 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 South Bay Area Schools Insurance Authority ("SBASIA") and the Santa Clara County School Insurance Group ("SCCSIG"), public entity risk pools currently operating as common risk management and insurance program. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The joint powers agreements (JPA) provide that the SBASIA and SCCSIG 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 in each of the past three years.

11. Interfund Transactions

Interfund transactions are reported either 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 eliminated as part of the reconciliation to the government-wide financial statements.

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

13. 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. Management has determined that there are no non-recognized subsequent events that require additional disclosure, other than the Tax and Revenue Anticipation Notes described in Note 13.

K. 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 total OPEB liability as of June 30, 2017 in the amount of $15,375,620 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. This statement did not have an impact on the District's financial statements.

L. 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

A. Summary of Deposits

A summary of cash and investments as of June 30, 2018 is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
Cash in county treasury investment pool	$ 22,363,536	$ 22,183,905	AA
Cash in revolving fund	5,000	5,000	n/a
Subtotal cash and investments	22,368,536	22,188,905	
Fiduciary funds cash	374,184	374,184	n/a
Total Cash and Investments	$ 22,742,720	$ 22,563,089	

B. Cash in banks and revolving funds

As of June 30, 2018, the bank balances of the District's accounts totaled $412,305, of which $162,305 was not covered by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC covers up to $250,000 per bank.

C. 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 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 fair value of the District's position in the pool is the same as the value of the pool. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

D. 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 Santa Clara 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.

E. 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, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains deposits with the Santa Clara County Investment Pool, which has a fair value of approximately $7.52 billion. The amortized book value of the investment pool is $7.58 billion. The average weighted maturity for this pool is 479 days. The District follows the County's interest rate risk policy but does not have a formal investment policy.

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 Santa Clara County Investment Pool is governed by the County's general investment policy, which is to apply the prudent-person rule: Investments are made as a prudent person would be expected to

act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The County's investment policy limits all investments to the top three ratings issued by at least two of the nationally recognized statistical rating organizations (NRSRO). The District follows the County's credit risk policy but does not have a formal investment policy.

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.

Custodial Credit Risk – Investments

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of the District's cash has been invested with the Santa Clara County Investment Pool and is governed by the County's general investment policy.

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 Categories	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Totals
Federal Government:						
Special education	$ 38,972	$ -	$ -	$ -	$ -	$ 38,972
Title II	297	-	-	-	-	297
Title III	24,074	-	-	-	-	24,074
State Government:						
Lottery	193,058	-	-	-	-	193,058
Special education	67,875	-	-	-	-	67,875
Interest	-	-	-	29,576	-	29,576
All other resources	684,524	5,640	6,617	-	773	697,554
Total Receivables	1,008,800	5,640	6,617	29,576	773	1,051,406
Less: Due from Other Governments	67,875	-	-	-	-	67,875
Accounts Receivable	$ 940,925	$ 5,640	$ 6,617	$ 29,576	$ 773	$ 983,531

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.

A. Interfund Receivables and Payables (Due to/from)

There were no interfund receivable or payable balances as of June 30, 2018.

B. Interfund Transfers in and out

For the year ended June 30, 2018, the General Fund had transferred $27,304 to the Building Fund to cover costs for portable buildings.

Note 5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2018 were as follows:

Capital Asset Category	Balance June 30, 2017	Additions	Disposals	Adjustments & Reclassifications	Balance June 30, 2018
Non-Depreciable Capital Assets:					
Land	$ 1,488,885	$ -	$ -	$ -	$ 1,488,885
Subtotal non-depreciable capital assets	1,488,885	-	-	-	1,488,885
Depreciable Capital Assets:					
Site improvements	1,225,056	-	-	-	1,225,056
Buildings and improvements	127,311,189	-	-	-	127,311,189
Equipment	2,570,571	5,396	-	-	2,575,967
Subtotal depreciable capital assets	131,106,816	5,396	-	-	131,112,212
Less accumulated depreciation for:					
Site improvements	1,118,171	12,750	-	-	1,130,921
Buildings and improvements	39,711,406	2,465,999	-	-	42,177,405
Equipment	1,969,088	76,299	-	-	2,045,387
Total accumulated depreciation	42,798,665	2,555,048	-	-	45,353,713
Subtotal depreciable Capital asset - net depreciation	88,308,151	(2,549,652)	-	-	85,758,499
Capital Assets - Net	$ 89,797,036	$ (2,549,652)	$ -	$ -	$ 87,247,384

Depreciation expense was charged to governmental activities as follows:

Governmental Activities Depreciation Expense by Function	
Instruction	$ 1,998,770
Supervision of instruction	7,017
Instruction library, media and technology	185,820
School site administration	192,427
Food services	720
All other pupil services	720
Data processing	7,461
All other general administration	51,445
Plant services	110,668
Total Depreciation Expense	$ 2,555,048

Note 6. TAX AND REVENUE ANTICIPATION NOTES

The District issued $12,000,000 of tax and revenue anticipation notes (TRAN) dated July 13, 2017. The notes matured on June 30, 2018 and yield 5% interest. The TRAN was issued to supplement cash flow with a premium of $456,960. The accrued interest expense of $555,000 was paid in June of 2018. All TRAN payments are made from the General Fund.

The TRAN summary schedule of changes for the year ended June 30, 2018 was as follows:

Beginning balance	$ -
Increases	12,000,000
Decreases	12,000,000
Ending Balance	$ -

Note 7. LONG-TERM LIABILITIES

A. General Obligation Bonds

1. 2013 General Obligation Refunding Bonds

On February 12, 2013, the District issued $30.6 million in 2013 General Obligation Refunding Bonds with interest rates ranging from 3.0 percent to 5.0 percent to advance refund $26 million of outstanding 2006 General Obligation Bonds, with interest rates ranging from 4.5 percent to 5.0 percent, referred to as the "Refunded Bonds." The net proceeds of $31 million (after payment of $288,000 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were

deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded Bonds. As a result, the Refunded Bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference of $2.7 million between the reacquisition price and the net carrying value amount of the old debt. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged (amortized) to operations through fiscal year 2024 using the straight-line method. The District completed the advance refunding to obtain an economic gain (the difference between the present value of the old and new debt service payments) of $2.6 million.

The 2013 General Obligation Refunding Bonds consist of Current Interest Bonds of $25,455,000. Interest on the Current Interest Bonds is compounded semiannually and payable on each February 1 and August 1, commencing August 1, 2013. It bears interest rates ranging from 3.0% to 5.0%. The principal of the bonds is payable on August 1 of each year, with an initial principal payment on August 1, 2013, then commencing annually on August 1, 2017.

The annual debt service requirements of the 2013 General Obligation Refunding Bonds as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2019	$ 3,590,000	$ 867,500	$ 4,457,500
2020	3,895,000	716,275	4,611,275
2021	4,290,000	511,650	4,801,650
2022	4,710,000	310,200	5,020,200
2023	5,115,000	113,700	5,228,700
2024	380,000	5,700	385,700
Total Debt Service	$ 21,980,000	$ 2,525,025	$ 24,505,025

2. 2016 General Obligation Refunding Bonds

On July 7, 2016, the District issued $32.55 million in 2016 General Obligation Refunding Bonds with interest rates ranging from 2.0 percent to 5.0 percent to advance refund $36.15 million of all outstanding 2006 General Obligation Bonds, with interest rates ranging from 4.5 percent to 5.0 percent, referred to as the "Refunded Bonds." The net proceeds of $36.38 million were transferred to U.S. Bank National Association, as paying agent for the 2006 Bonds, to be applied to the redemption of the 2006 Bonds on August 1, 2016, at a redemption price of the par amount of the 2006 Bonds plus accrued interest to the date of redemption. As a result, the Refunded Bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position. The advance refunding resulted in a difference of $315,000 between the reacquisition price and the net carrying value amount of the old debt. At the time of the refunding, there was an aggregate difference in debt service of $10,862,300 between the 2016 refunding bonds and the 2006 bonds being refunded.

The $36.38 million net proceeds from the 2016 General Obligation Refunding Bonds included premiums of $3.83 million, and $232 thousand in underwriting fees and other issuance costs. Interest on the bonds is compounded semiannually and payable on each February 1 and August 1, commencing February 1, 2017. The principal of the bonds is payable on August 1 of each year, commencing on August 1, 2017.

The annual debt service requirements of the 2016 General Obligation Refunding Bonds as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2019	$ 5,390,000	$ 1,094,650	$ 6,484,650
2020	5,920,000	811,900	6,731,900
2021	6,490,000	501,650	6,991,650
2022	7,105,000	197,300	7,302,300
2023	2,760,000	27,600	2,787,600
Total Debt Service	$ 27,665,000	$ 2,633,100	$ 30,298,100

B. General Obligation Bond Anticipation Notes

Through elections, the District received authorization to issue general obligation bonds (GOB) 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 November of 2014, the District passed Measure N—a $150 million general obligation bond measure.

In February 2016 the District was authorized to issue General Obligation Bond Anticipation Notes (BANS) with an aggregate maximum stated principal amount of $50 million through Wells Fargo Bank, NA. With the initial issuance, Wells Fargo Bank, the

purchaser of the Notes, deposited $120,000 in a special account to be held and maintained by U.S. Bank National Association, the Custodian and Disbursing Agent. The Custodian and Disbursing Agent will pay costs of issuance of the Notes as directed by the District.

On February 4, 2016, the District issued its first $5 million in BANS. The net proceeds of $4.88 million, after issuance costs of $120,000, were deposited in the Measure N Building Fund. The BANS bear interest at 1.52% and mature on August 1, 2019. Interest on the BANS is payable on February 1, 2017 and semiannually thereafter on the first day of February and August in each year until the maturity date.

On November 23, 2016, the District issued $2.5 million in BANS, which were deposited in the Measure N Building Fund. The BANS bear interest at 1.90% and mature on August 1, 2019. Interest on the BANS is payable on February 1, 2018 and semiannually thereafter on the first day of February and August in each year until the maturity date.

On June 28, 2018, the District issued $2.5 million in BANS, which were deposited in the Measure N Building Fund. The BANS bear interest at 3.13% and mature on August 1, 2019. Interest on the BANS is payable on February 1, 2019 and at the maturity date.

C. Lease-Leaseback Transactions

In July 2007, the District entered into a lease-leaseback agreement in which the Gardner Bullis School site, located on 25890 Fremont Road, Los Altos Hills, California, (owned by the District) was leased to a third party for a $2,165,000 advance and subsequently leased back to the District pursuant to a 20-year operating lease. The District retained ownership of the underlying land and, therefore, accounted for the transaction under the deposit method of accounting as a lease purchase.

In October 2008, the District entered into a lease-leaseback agreement in which a site in Los Altos Hills, California, (owned by the District) was leased to a third party for a $2,025,000 advance and subsequently leased back to the District pursuant to a 20-year operating lease. The District retained ownership of the underlying land and, therefore, accounted for the transaction under the deposit method of accounting as a lease purchase.

The principal and interest payments on the lease are payable twice a year and began in July of 2008 and end in November of 2028. The following is a schedule of the future minimum lease payments required under the lease:

Year Ending June 30,	Principal	Interest	Total Payment
2019	$ 210,451	$ 122,352	$ 332,803
2020	220,609	112,194	332,803
2021	231,257	101,545	332,802
2022	242,419	90,384	332,803
2023	254,121	78,682	332,803
2024-2028	1,379,783	197,144	1,576,927
2029	77,456	1,859	79,315
Total Lease Payable	$ 2,616,096	$ 704,160	$ 3,320,256

D. Schedule of Changes in Long-term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2018, is shown below:

Long-term Liabilities	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds:					
Current Interest Bonds	$ 57,840,000	$ -	$ 8,195,000	$ 49,645,000	$ 8,980,000
Unamortized bond premium	6,894,365	-	1,149,061	5,745,304	1,149,061
Total General Obligation Bonds	64,734,365	-	9,344,061	55,390,304	10,129,061
Bond anticipation note	7,500,000	2,500,000	-	10,000,000	-
Lease-leaseback obligations	2,816,856	-	200,760	2,616,096	210,451
Net pension liabilities	50,882,364	32,934,306	23,620,676	60,195,994	-
Net postemployment benefits	3,297,141	17,522,812	2,174,406	18,645,547	-
Compensated Absences	365,653	374,529	300,137	440,045	300,137
Total Long-term Liabilities	$ 129,596,379	$ 53,331,647	$ 35,640,040	$ 147,287,986	$ 10,639,649

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues. Compensated absences, net pension liabilities and net postemployment benefits are paid by the General Fund. Lease payments also are made from the General Fund.

Note 8. OPERATING LEASES

The District has entered into various operating leases for portables, building space and office equipment with lease terms in excess of one year. None of the agreements contain purchase options. All of the agreements contain termination clauses providing for lease cancellation after written notice is provided to the lessors. However, it is unlikely that the District will cancel any of the agreements before the expiration date. It is expected that in the normal course of business most of these leases will be replaced by similar leases. None of the leases have been sublet. The rent expense for the fiscal year ended June 30, 2018 was $1,640,929. The annual minimum lease payments for each of the next four years are as follows:

Year Ending June 30,	Amount Due
2019	$ 1,001,361
2020	355,032
2021	77,560
2022	6,912
Total Operating Leases	$ 1,440,865

Note 9. JOINT POWERS AGREEMENTS

The District participates in four joint powers agreement ("JPA") entities: the South Bay Area Schools Insurance Authority ("SBASIA"), the Santa Clara County Schools Insurance Group ("SCCSIG"), Community Health Awareness Council ("CHAC"), and the Silicon Valley Joint Powers Transportation Agency ("SVJPTA"). A board consisting of a representative from each member district governs each JPA. The governing boards control the operation of the JPAs independent of any influence by the District beyond the District's representation on the governing board. Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and each JPA is such that each JPA is not a component unit of the District for financial reporting purposes.

The following is the summary of coverage provided by each JPA, and each JPA's most recent financial statement information:

	Risk Management		Other	
	SBASIA June 30, 2017	SCCSIG June 30, 2017	SVJPTA June 30, 2017	CHAC June 30, 2017
Total Assets and Deferred Outflows	$ 5,452,545	$ 21,729,401	$ 810,645	$ 4,770,009
Total Liabilities and Deferred Inflows	3,855,991	6,341,418	428,009	173,870
Total Equity	1,596,554	15,387,983	382,636	4,596,139
Total Revenues	3,508,638	36,088,227	8,048,461	3,175,819
Total Expenditures	4,666,817	34,053,133	8,035,268	3,191,728

SBASIA provides property and liability insurance coverage.
SCCSIG provides worker's compensation insurance.
SVJPTA provides transportation services to students with disabilities.
CHAC provides treatment services and prevention & intervention conseling services

Note 10. COMMITMENTS AND CONTINGENCIES

A. Litigation

Various claims involving the District are currently outstanding. However, management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

B. Federal and State Allowances, Award, and Grants

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

C. Early Retirement

The board of education has adopted an early retirement incentive program. The District has entered into contracts with certain eligible employees whereby 20 service days per year will be performed during the future five-year period or age 65, whichever comes first, for a stipulated yearly amount plus employee benefits. The outstanding contract amount for this purpose is $223,058. This amount is contingent upon the employees performing the required service days per year.

Note 11. EMPLOYEE RETIREMENT SYSTEMS

A. California Public Employees Retirement System (CalPERS/PERS) 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 contributed $1,171,418 to the CalPERS plan.

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	$ 15,806,074

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 was as follows:

	CalPERS
Proportion - June 30, 2017	0.06500%
Proportion - June 30, 2018	0.06621%
Change - Increase/(Decrease)	0.00121%

For the year ended June 30, 2018, the District recognized pension expense of $2,902,444 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	$ 2,122,629	$ -
Differences between Expected and Actual Experience	566,266	-
Differences between Projected and Actual Investment Earnings	546,782	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	18,212
Change in Employer's Proportion	-	46,957
Pension Contributions Made Subsequent to Measurement Date	1,408,100	-
Total	$ 4,643,777	$ 65,169

The District reported $1,408,100 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:	Deferred Outflows/(Inflows) of Resources CalPERS
2019	$ 909,454
2020	1,425,412
2021	1,135,060
2022	(299,418)
2023	-
Thereafter	-
Total	$ 3,170,508

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, induding 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	$	23,255,801
Current		7.15%
Net Pension Liability	$	15,806,074
1% Increase		8.15%
Net Pension Liability	$	9,625,903

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

B. 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 contributed $3,905,538 to the Plan. The following summarizes the District's contributions and the state on-behalf contributions during the year:

		CalSTRS
Employer Contributions	$	3,905,538
State Contributions		2,152,456
Total	$	6,057,994

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	$ 44,389,920
State	16,499,733
Total	$ 60,889,653

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 was as follows:

	CalSTRS
Proportion - June 30, 2017	0.04900%
Proportion - June 30, 2018	0.04800%
Change - Increase/(Decrease)	-0.00100%

For the year ended June 30, 2018, the District recognized pension expense of $2,916,183 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	$ 8,223,840	$ -
Differences between Expected and Actual Experience	-	610,080
Differences between Projected and Actual Investment Earnings	-	1,182,240
Differences between Employer's Contributions and Proportionate Share of Contributions	1,234,442	-
Change in Employer's Proportion	-	1,457,451
Pension Contributions Made Subsequent to Measurement Date	3,905,538	-
Total	$ 13,363,820	$ 3,249,771

The District reported $3,905,538 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:		Deferred Outflows/(Inflows) of Resources CalSTRS
2019	$	232,023
2020		1,958,823
2021		1,322,343
2022		164,343
2023		1,012,221
Thereafter		1,518,758
Total	$	6,208,511

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 induding inflation

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.1 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 (7.1 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	$ 65,179,200
Current	7.10%
Net Pension Liability	$ 44,389,920
1% Increase	8.10%
Net Pension Liability	$ 27,518,880

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 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Los Altos School District Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the District. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the District, its management employees, and unions representing District employees.

Benefits

The District provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA). The eligibility requirements and benefits payable are as follows:

Certificated employees hired prior to October 1988 who retire after age 55 with at least 10 years of service are entitled to 100% (95% if retired after June 30, 2006) of the full medical premium for any CalPERS medical plan except PERS Care. Certificated employees hired after September 1988 who retire after age 50 with at least 35 years of service will be paid the PEMHCA minimum benefit. No benefits are paid to dependent spouses.

Classified employees hired prior to November 1988 who retire after age 55 with at least 10 years of service are entitled to 100% (95% if retired after June 30, 2012) of the full medical premium for any CalPERS medical plan except PERS Care. Classified employees hired after October 1988 who retire after age 50 with at least 35 years of service will be paid the PEMHCA minimum benefit. No benefits are paid to dependent spouses.

Management employees hired prior to July 1989 and **confidential employees** hired prior to November 1988 who retire after age 55 with at least 10 years of service (including 5 years of District service) are entitled to 100% (95% if retired after June 30, 2006) of the full medical premium for any CalPERS medical plan except PERS Care, plus dental coverage. All other management and confidential employees who retire after age 50 with at least 35 years of service will be paid the PEMHCA minimum benefit. Dental benefits are also payable if hired before July 1989 and retired before May 2009. Dependent spouses are also covered.

Employees Covered by Benefit Terms

As of June 30, 2017, (the valuation date), the benefit terms covered the following employees:

Active employees	493
Inactive employees	174
Total employees	667

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 $963,288. Total benefit payments included in the measurement period were $1,211,118. The actuarially determined contribution for the measurement period was $1,765,489. The District's contributions were 3.4% of payroll for the fiscal year ended June 30, 2018. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

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

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry-Age Method, with Normal Cost at Level % of Payroll
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.13%
Inflation	2.75%
Payroll Increases	3.00%
Municipal Bond Rate	3.13%
Mortality	Mortality rates were taken from the 2014 CalPERS OPEB Assumptions Model (for classified and confidential employees) and the 2016 STRS valuation (for certificated and management employees)
Retirement	Retirement rates were taken from the 2014 CalPERS OPEB Assumptions Model (for classified and confidential employees) and the 2016 STRS valuation (for certificated and management employees)

Discount Rate

Since the benefits are not funded, the discount rate is equal to the 20-Year Bond Rate. The District has chosen to use the "S&P Municipal Bond 20 Year High Grade Rate Index" as its 20-year bond rate. That Index was 3.13% at June 30, 2017.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017 (measurement date) and was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2018 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the net OPEB liability during the fiscal year ended June 30, 2018, for the measurement date of June 30, 2017:

Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2017)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30,2017	$ 19,883,879	$ -	$ 19,883,879
Service cost	497,104	-	497,104
Interest in Total OPEB Liability	522,442	-	522,442
Balance of changes in assumptions	(1,046,760)	-	(1,046,760)
Benefit payments	(1,211,118)	-	(1,211,118)
Net changes	(1,238,332)	-	(1,238,332)
Balance at June 30, 2018	$ 18,645,547	$ -	$ 18,645,547
Covered Payroll at Measurement Date	$ 35,460,858		
Total OPEB Liability as a % of covered payroll	52.58%		
Service cost as a % of covered payroll	1.40%		

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ -
Difference between actual and expected earnings	-	-
Change in assumptions	-	(976,976)
OPEB contribution subsequent to measurement date	963,288	-
Totals	$ 963,288	$ (976,976)

Of the total amount reported as deferred outflows of resources related to OPEB, $963,288 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending June 30, 2019.

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

Year Ended June 30,	
2019	$ (69,784)
2020	(69,784)
2021	(69,784)
2022	(69,784)
2023	(69,784)
Thereafter	(628,056)
Total	$ (976,976)

OPEB Expense

The following summarizes the OPEB expense by source during the fiscal year ended June 30, 2018, for the measurement date of June 30, 2017:

Service cost	$	497,104
Interest in TOL		522,442
Other		-
Difference between actual and expected experience		-
Change in assumptions		(69,784)
Administrative expenses		-
OPEB Expense	**$**	**949,762**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the fiscal year ended June 30, 2018, for the measurement date of June 30, 2017:

Total OPEB liability ending	$	18,645,547
Total OPEB liability beginning		(19,883,879)
Change in total OPEB liability		(1,238,332)
Changes in deferred outflows		-
Changes in deferred inflows		976,976
Employer contributions		1,211,118
OPEB Expense	**$**	**949,762**

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:

	2.13% (1% Decrease)	3.13% (Current Rate)	4.13% (1% Increase)
Total OPEB Liability	$ 21,295,040	$ 18,645,547	$ 16,477,431

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:

	3.0% - 4.5% (1% Decrease)	4.0% - 5.5% (Current Rate)	5.0% - 6.5% (1% Increase)
Total OPEB Liability	$ 16,357,057	$ 18,645,547	$ 21,549,849

Note 13. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (the "Notes")

The District issued $12,000,000 of tax and revenue anticipation notes dated July 11, 2018. The notes mature on June 28, 2019 and yield 3.0% interest. The notes were sold to supplement cash flow. Both the principal and interest on the notes are payable in full by June 28, 2019.

Required Supplementary Information Section

Los Altos 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		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
LCFF sources	$ 39,616,948	$ 39,544,802	$ 39,531,987	$ (12,815)
Federal revenues	1,107,494	1,098,444	1,102,424	3,980
Other state	2,960,512	4,704,866	4,966,563	261,697
Other local	15,301,895	16,418,059	17,917,428	1,499,369
Total revenues	58,986,849	61,766,171	63,518,402	1,752,231
Expenditures:				
Certificated salaries	26,364,576	27,450,545	27,457,333	(6,788)
Classified salaries	9,179,301	9,745,288	9,967,797	(222,509)
Employee benefits	15,142,407	15,675,584	15,915,616	(240,032)
Books and supplies	1,610,590	1,908,530	2,829,073	(920,543)
Services and other operating expenditures	6,237,472	8,897,444	9,193,880	(296,436)
Capital outlay	236,570	182,070	138,155	43,915
Other outgo	350,884	340,559	339,869	690
Total expenditures	59,121,800	64,200,020	65,841,723	(1,641,703)
Excess (deficiency) of revenues over (under) expenditures	(134,951)	(2,433,849)	(2,323,321)	110,528
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(27,304)	(27,304)	-
Total other financing sources (uses)	-	(27,304)	(27,304)	-
Net changes in fund balance	(134,951)	(2,461,153)	(2,350,625)	110,528
Fund balances beginning	7,626,247	7,626,247	7,626,247	-
Fund balances ending	$ 7,491,296	$ 5,165,094	$ 5,275,622	$ 110,528

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

Los Altos School District
Required Supplementary Information
Schedule of CalPERS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2018

Plan Measurement Date	2017	2016	2015	2014
Fiscal Year Ended	2018	2017	2016	2015
Contractually Required Contributions	$ 1,408,100	$ 1,171,418	$ 924,129	$ 883,649
Contributions in Relation to Contractually Required Contributions	1,408,100	1,171,418	924,129	883,649
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Employee Payroll	**$ 9,066,383**	**$ 8,434,749**	**$ 7,800,334**	**$ 7,507,000**
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

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.

Los Altos School District
Required Supplementary Information
Schedule of CalPERS Proportionate Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2018

Plan Measurement Date	2017	2016	2015	2014
Fiscal Year Ended	2018	2017	2016	2015
Proportion of Net Pension Liability	0.06621%	0.06523%	0.06530%	0.06520%
Proportionate Share of Net Pension Liability	$ 15,806,074	$ 12,882,222	$ 9,625,746	$ 7,401,788
Covered Payroll	$ 8,434,749	$ 7,800,334	$ 7,507,000	$ 6,857,805
Proportionate Share of NPL as a % of Covered Payroll	**187.39%**	**165.15%**	**128.22%**	**107.93%**
Plan's Fiduciary Net Position as a % of the TPL	**71.87%**	**73.90%**	**79.43%**	**83.38%**

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.

Los Altos School District
Required Supplementary Information
Schedule of STRS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2018

Plan Measurement Date	2017	2016	2015	2014
Fiscal Year Ended	2018	2017	2016	2015
Contractually Required Contributions	$ 3,905,538	$ 3,262,895	$ 2,605,243	$ 1,927,255
Contributions in Relation to Contractually Required Contributions	3,905,538	3,262,895	2,605,243	1,927,255
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	**$ 27,065,405**	**$ 25,937,162**	**$ 24,279,991**	**$ 21,703,322**
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
STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

Los Altos School District
Required Supplementary Information
Schedule of STRS Proportionate Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2018

Plan Measurement Date	2017	2016	2015	2014
Fiscal Year Ended	2018	2017	2016	2015
Proportion of Net Pension Liability	0.04800%	0.04698%	0.04658%	0.05000%
Proportionate Share of Net Pension Liability	$ 44,389,920	$ 38,000,142	$ 31,357,212	$ 29,218,500
Covered Payroll	$ 25,937,162	$ 24,279,991	$ 21,703,322	$ 22,804,716
Proportionate Share of NPL as a % of Covered Payroll	**171.14%**	**156.51%**	**144.48%**	**128.12%**
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
STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

Los Altos School District
Required Supplementary Information
Schedule of Changes in Total OPEB Liability
June 30, 2018

	Fiscal Year Ended June 30, 2018
Total OPEB liability	
Service cost	$ 497,104
Interest	522,442
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(1,046,760)
Benefit payments	(1,211,118)
Net change in Total OPEB Liability	(1,238,332)
Total OPEB Liability - beginning	19,883,879
Total OPEB Liability - ending	$ 18,645,547
Plan fiduciary net position	
Employer contributions	$ -
Employer implict subsidy	-
Employee contributions	-
Net investment income	-
Difference between estimated and actual earnings	-
Benefit payments	-
Other	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	$ -
Net OPEB liability	$ 18,645,547
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee payroll	$ 35,460,858
Net OPEB Liability as a percentage of covered payroll	52.58%
Total OPEB Liability as a percentage of covered payroll	52.58%

Notes to the Required Supplementary Information

Note 1. BUDGETARY COMPARISON SCHEDULE

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budget for the General Fund IS presented as Required Supplementary Information. The basis of budgeting is the same as GAAP and there were not expenditures in excess of appropriations during the year.

Note 2 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

Note 3 SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS.

Note 4 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

This schedule presents information on the District's changes in total OPEB liability in compliance with GASB 75.

Other Supplementary Information

Los Altos School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Building Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
Other local	$ 307,460	$ 312,460	$ 324,070	$ 11,610
Total revenues	307,460	312,460	324,070	11,610
Expenditures:				
Books and supplies	50,088	50,088	-	50,088
Services and other operating expenditures	527,465	1,127,965	478,830	649,135
Capital outlay	140,000	310,000	62,964	247,036
Total expenditures	717,553	1,488,053	541,794	946,259
Excess (deficiency) of revenues over (under) expenditures	(410,093)	(1,175,593)	(217,724)	957,869
Other financing sources (uses):				
Transfers in	-	27,304	27,304	-
Transfers out	-	-	-	-
Proceeds from bond issuances	-	-	2,500,000	2,500,000
Total other financing sources (uses)	-	27,304	2,527,304	2,500,000
Net changes in fund balance	(410,093)	(1,148,289)	2,309,580	3,457,869
Fund balances beginning	1,471,953	1,471,953	1,471,953	-
Fund balances ending	$ 1,061,860	$ 323,664	$ 3,781,533	$ 3,457,869

Los Altos School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Capital Facilities Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
Other local	$ 1,055,267	$ 2,106,000	$ 2,347,326	$ 241,326
Total revenues	1,055,267	2,106,000	2,347,326	241,326
Expenditures:				
Books and supplies	62,702	27,702	-	27,702
Services and other operating expenditures	966,662	966,662	1,068,631	(101,969)
Capital outlay	6,284	126,284	121,026	5,258
Total expenditures	1,035,648	1,120,648	1,189,657	(69,009)
Excess (deficiency) of revenues over (under) expenditures	19,619	985,352	1,157,669	172,317
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	19,619	985,352	1,157,669	172,317
Fund balances beginning	2,349	2,349	2,349	-
Fund balances ending	$ 21,968	$ 987,701	$ 1,160,018	$ 172,317

Los Altos School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Fund	
	Deferred Maintenance Fund	Total Nonmajor Governmental Funds
Assets		
Cash in county treasury	$ 164,228	$ 164,228
Accounts receivable	773	773
Total Assets	$ 165,001	$ 165,001
Fund Balances		
Assigned for site repairs	$ 165,001	$ 165,001
Total Fund Balances	$ 165,001	$ 165,001

Los Altos 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 Fund	
	Deferred Maintenance Fund	Total Nonmajor Governmental Funds
Revenues:		
LCFF Sources	$ 300,174	$ 300,174
Other local	2,519	2,519
Total revenues	302,693	302,693
Expenditures:		
Current		
Plant services	200,861	200,861
Total expenditures	200,861	200,861
Excess (deficiency) of revenues over (under) expenditures	101,832	101,832
Net changes in fund balances	101,832	101,832
Fund balances beginning	63,169	63,169
Fund balances ending	$ 165,001	$ 165,001

Los Altos School District
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
Budget and Actual (GAAP)
For the Fiscal Year Ended June 30, 2018

	Deferred Maintenance Fund		
	Budget	Actual	Variance Positive - (Negative)
Revenues:			
LCFF Sources	$ 300,174	$ 300,174	$ -
Other local	1,000	2,519	1,519
Total revenues	301,174	302,693	1,519
Expenditures:			
Services and other operating expenditures	300,000	200,861	99,139
Total expenditures	300,000	200,861	99,139
Excess (deficiency) of revenues over (under) expenditures	1,174	101,832	100,658
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Changes in fund balances	1,174	101,832	100,658
Fund balances beginning	63,169	63,169	-
Fund balances ending	$ 64,343	$ 165,001	$ 100,658

Los Altos School District
Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Balance as of June 30, 2017	Additions	Deletions	Balance as of June 30, 2018
Assets				
Cash on hand and in banks				
Egan Junior High School	$ 272,687	$ 465,134	$ 447,408	$ 290,413
Blach Junior High School	83,660	491,385	491,274	83,771
Total cash on hand and in banks	356,347	956,519	938,682	374,184
Total Assets	$ 356,347	$ 956,519	$ 938,682	$ 374,184
Liabilities				
Due to student groups				
Egan Junior High School	$ 272,687	$ 465,134	$ 447,408	$ 290,413
Blach Junior High School	83,660	491,385	491,274	83,771
Total due to student groups	356,347	956,519	938,682	374,184
Total Liabilities	$ 356,347	$ 956,519	$ 938,682	$ 374,184

Statistical Section

Statistical Section (Unaudited)

The Statistical Section presents information useful in giving the reader an overall understanding of the school district as well as an historical perspective regarding financial information in this report. Unless noted otherwise, historical data is presented for the most recent ten-year period. The information in this section helps the reader better understand the overall financial health of the district.

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information

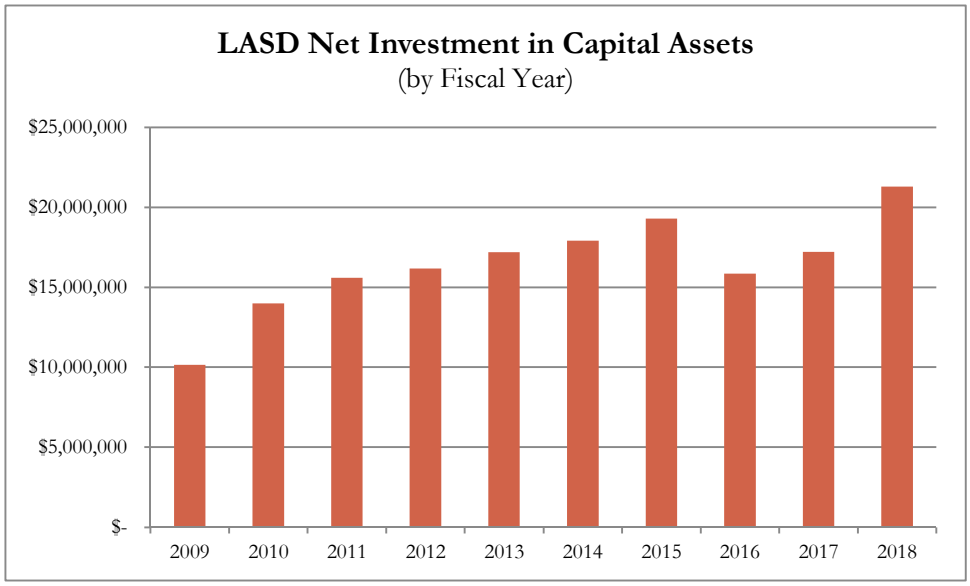
These schedules contain service and capital asset data to help the reader understand how the information in the financial report relates to the services the district provides and the activities it performs.

Net Position by Component

Fiscal Year	*Net Investment in Capital Assets*	*Restricted*	*Unrestricted*	*Total*
2009	$ 10,143,853	$ 6,242,842	$ 6,482,798	$ 22,869,493
2010	14,009,604	7,156,505	4,805,344	25,971,453
2011	15,609,775	7,798,583	2,840,702	26,249,060
2012	16,185,607	8,341,730	5,115,506	29,642,843
2013	17,213,754	9,670,623	4,614,955	31,499,332
2014	17,929,874	9,555,936	5,418,899	32,904,709
2015	19,311,607	9,661,405	(42,676,897)	(13,703,885)
2016	15,857,752	8,650,893	(32,936,226)	(8,427,581)
2017	17,219,436	10,708,359	(34,197,366)	(6,269,571)
2018	21,302,335	15,597,003	(60,010,844)	(23,111,506)

Note: The District's negative unrestricted net position resulted from the required implementation of GASB 68 in 2014-15 to record the District's share of net pension liabilities from the state's pension systems (STRS and PERS).

Source: Data extracted from District Financial Statements.



Change in Net Position

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Expenses										
Governmental Activities										
Instruction	$ 31,994,828	$ 30,939,120	$ 32,026,266	$ 31,371,747	$ 34,538,757	$ 37,089,141	$ 42,460,057	$ 41,943,410	$ 42,163,508	$ 52,535,485
Instruction-related services	4,322,623	4,429,222	4,274,264	4,548,245	5,027,990	5,296,528	5,827,089	5,973,952	6,735,656	6,987,627
Pupil services	2,144,915	2,248,887	2,370,819	2,272,223	2,373,358	2,894,703	3,473,382	3,557,876	4,057,366	4,490,916
General administration	2,631,750	3,015,739	2,928,965	3,102,062	4,538,917	4,231,266	3,363,358	3,444,630	4,101,976	4,343,617
Plant services	4,801,128	4,832,257	5,214,914	4,917,999	5,570,161	6,267,501	7,252,941	7,481,528	8,634,495	8,594,969
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Other educational programs	-	-	3,340	-	-	39,836	48,612	65,414	14,248	7,067
Interest and fiscal charges	4,706,547	4,499,114	5,743,858	6,082,101	6,173,670	6,115,387	6,161,083	4,118,938	5,007,437	3,458,455
Total Governmental Activities	50,601,791	49,964,339	52,562,426	52,294,377	58,222,853	61,934,362	68,586,522	66,585,748	70,714,686	80,418,136
Special Item - Bond Arbitrage										
Total Expenses	50,601,791	49,964,339	52,562,426	52,294,377	58,222,853	61,934,362	68,586,522	66,585,748	70,714,686	80,418,136
Revenues										
Program Revenues										
Charges for Services										
Pupil Services	1,587	531	565	1,752	-	-	-	-	-	-
Operating Grants and Contributions	5,414,423	4,970,086	4,946,391	4,068,933	5,146,749	5,644,639	5,479,170	6,395,658	6,002,866	7,278,355
Total Program Revenues	5,416,010	4,970,617	4,946,956	4,070,685	5,146,749	5,644,639	5,479,170	6,395,658	6,002,866	7,278,355
Net Revenue/(Expense)	(45,185,781)	(44,993,722)	(47,615,470)	(48,223,692)	(53,076,104)	(56,289,723)	(63,107,352)	(60,190,090)	(64,711,820)	(73,139,781)
General Revenues										
Property taxes	40,226,775	43,121,882	43,424,004	45,045,735	46,587,048	49,401,170	50,313,515	54,825,231	57,212,216	59,324,124
Grants and entitlements, unrestricted	2,785,203	1,739,376	560,790	1,410,300	2,143,635	3,042,298	2,649,964	4,869,613	3,410,102	3,595,525
Interest and investment earnings	429,949	165,935	160,518	49,473	36,907	117,682	100,612	148,538	1,310,060	1,405,666
Miscellaneous	3,358,359	3,068,489	3,747,765	5,111,967	6,165,003	5,636,497	6,634,821	5,623,012	4,937,452	7,348,151
Total General Revenues	46,800,286	48,095,682	47,893,077	51,617,475	54,932,593	58,197,647	59,698,912	65,466,394	66,869,830	71,673,466
Special Item - Loss on disposals										
Total General Revenues and special items										
Total Revenues	$ 52,216,296	$ 53,066,299	$ 52,840,033	$ 55,688,160	$ 60,079,342	$ 63,842,286	$ 65,178,082	$ 71,862,052	$ 72,872,696	$ 78,951,821
Prior Period Adjustment							(43,200,154)			
Change in Net Position	**$ 1,614,505**	**$ 3,101,960**	**$ 277,607**	**$ 3,393,783**	**$ 1,856,489**	**$ 1,907,924**	**$ (46,608,594)**	**$ 5,276,304**	**$ 2,158,010**	**$ (1,466,315)**

Source: Data extracted from District Financial Statements.

Note: The prior period adjustment in FY2015 resulted from the required implementation of GASB 68 in FY2015 to record the District's share of net pension liabilities from the state's pension systems (STRS and PERS).

Government-wide Expenses by Function, Total

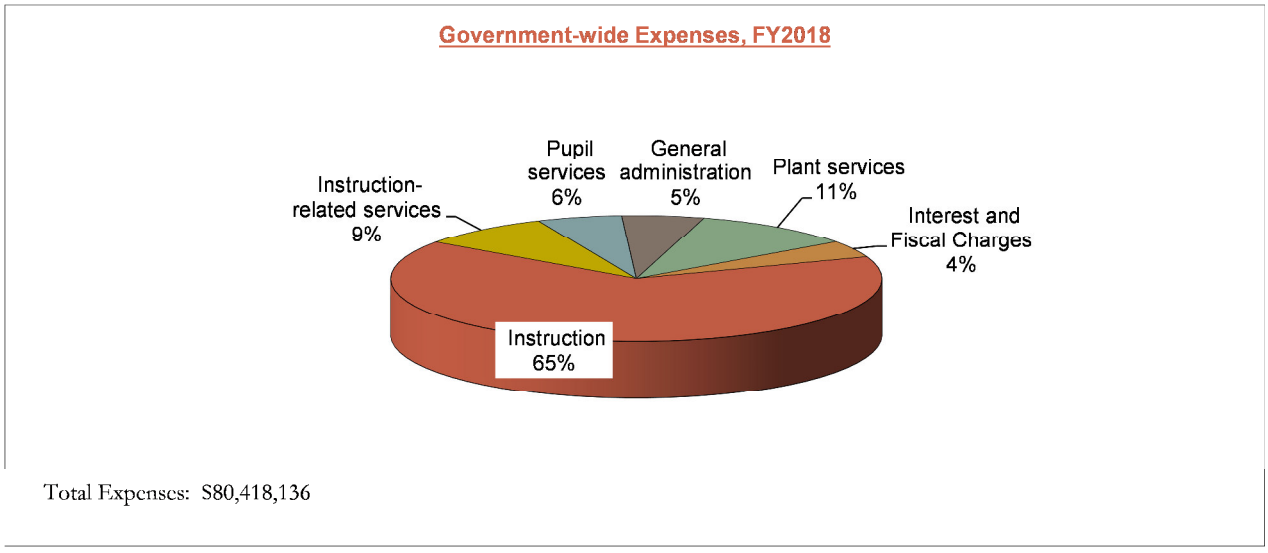
Fiscal Year	*Enrollment*	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Other Educ. programs	Interest and Fiscal Charges	Total
2009	*4,245*	$ 31,994,828	$ 4,322,623	$ 2,144,915	$ 2,631,750	$ 4,801,128	$ -	$ 4,706,547	$ 50,601,791
2010	*4,287*	30,939,120	4,429,222	2,248,887	3,015,739	4,832,257	-	4,499,114	49,964,339
2011	*4,384*	32,026,266	4,274,264	2,370,819	2,928,965	5,214,914	3,340	5,743,858	52,562,426
2012	*4,477*	31,371,747	4,548,245	2,272,223	3,102,062	4,917,999	-	6,082,101	52,294,377
2013	*4,495*	34,538,757	5,027,990	2,373,358	4,538,917	5,570,161	-	6,173,670	58,222,853
2014	*4,543*	37,089,141	5,296,528	2,894,703	4,231,266	6,267,501	39,836	6,115,387	61,934,362
2015	*4,670*	42,460,057	5,827,089	3,473,382	3,363,358	7,252,941	48,612	6,161,083	68,586,522
2016	*4,636*	41,943,410	5,973,952	3,557,876	3,444,630	7,481,528	65,414	4,118,938	66,585,748
2017	*4,522*	42,163,508	6,735,656	4,057,366	4,101,976	8,634,495	14,248	5,007,437	70,714,686
2018	*4,400*	52,535,485	6,987,627	4,490,916	4,343,617	8,594,969	7,067	3,458,455	80,418,136

Source: District records.

Government-wide Expenses by Function, Per Student

Fiscal Year	*Enrollment*	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Other Educ. programs	Interest and Fiscal Charges	Total
2009	*4,245*	$ 7,537	$ 1,018	$ 505	$ 620	$ 1,131	$ -	$ 1,109	$ 11,920
2010	*4,287*	7,217	1,033	525	703	1,127	-	1,049	11,655
2011	*4,384*	7,305	975	541	668	1,190	1	1,310	11,990
2012	*4,477*	7,007	1,016	508	693	1,099	-	1,359	11,681
2013	*4,495*	7,684	1,119	528	1,010	1,239	-	1,373	12,953
2014	*4,543*	8,164	1,166	637	931	1,380	9	1,346	13,633
2015	*4,670*	9,092	1,248	744	720	1,553	10	1,319	14,687
2016	*4,636*	9,047	1,289	767	743	1,614	14	888	14,363
2017	*4,522*	9,324	1,490	897	907	1,909	3	1,107	15,638
2018	*4,400*	11,940	1,588	1,021	987	1,953	2	786	18,277

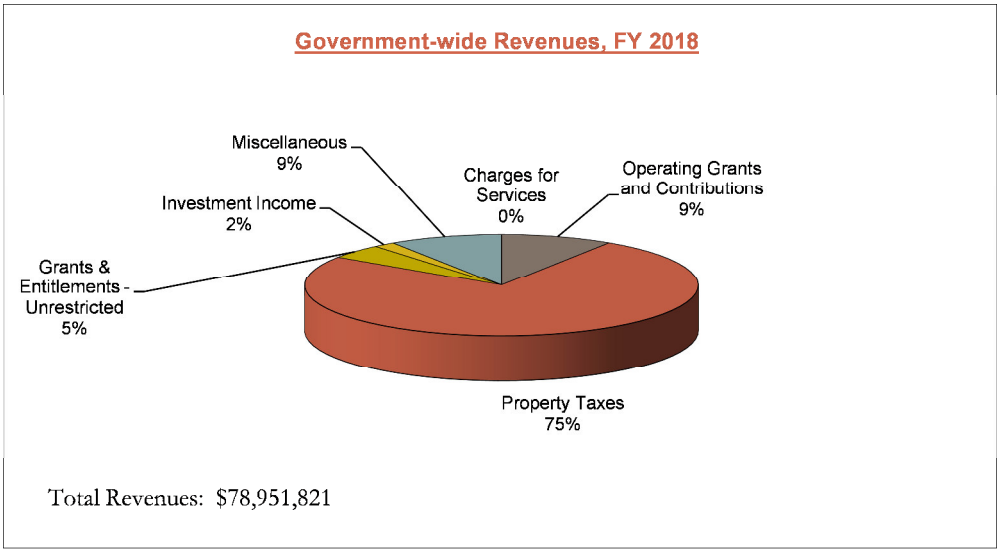
Source: District records.



Government-wide Revenues

Fiscal Year	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	General Revenues: Property Taxes	General Revenues: Grants & Entitlements - Unrestricted	General Revenues: Investment Income	General Revenues: Miscellaneous [1]	Total
2009	$ 1,587	$ 5,414,423	$ 40,226,775	$ 2,785,203	$ 429,949	$ 3,358,359	$ 52,216,296
2010	531	4,970,086	43,121,882	1,739,376	165,935	3,068,489	53,066,299
2011	565	4,946,391	43,424,004	560,790	160,518	3,747,765	52,840,033
2012	1,752	4,068,933	45,045,735	1,410,300	49,473	5,111,967	55,688,160
2013	-	5,146,749	46,587,048	2,143,635	36,907	6,165,003	60,079,342
2014	-	5,644,639	49,401,170	3,042,298	117,682	5,636,497	63,842,286
2015	-	5,479,170	50,313,515	2,649,964	100,612	6,634,821	65,178,082
2016	-	6,395,658	54,825,231	4,869,613	148,538	5,623,012	71,862,052
2017	-	6,002,866	57,212,216	3,410,102	1,310,060	4,937,452	72,872,696
2018	-	7,278,355	59,324,124	3,595,525	1,405,666	7,348,151	78,951,821

Source: District records.



General District Revenues by Source

Fiscal Year	LCFF/Revenue Limit Sources	Federal	Other State	Other Local	Other Financing Sources	Operating Transfers In	Total Revenues
2009	$ 25,299,763	$ 1,075,398	$ 4,406,477	$ 12,915,695	$ -	$ -	$ 43,697,333
2010	26,275,514	1,932,612	2,567,382	12,607,715	-	275,848	43,659,071
2011	25,458,478	1,783,741	2,115,088	13,746,462	-	1,364,462	44,468,231
2012	26,170,118	1,005,829	1,638,884	16,478,041	-	296,030	45,588,902
2013	28,210,728	1,051,413	1,648,022	17,934,018	-	728,553	49,572,735
2014	31,459,840	934,871	2,952,235	17,499,013	-	3,010,738	55,856,696
2015	31,730,727	1,003,227	1,494,816	18,184,092	-	258,372	52,671,234
2016	36,138,756	1,024,458	5,864,691	17,361,704	-	232,405	60,622,014
2017	37,978,938	1,105,381	3,796,451	17,015,519	-	82,010	59,978,300
2018	40,322,074	1,102,424	4,966,563	17,919,949	-	2,201,217	66,512,228

Funds included are General Fund and Special Revenue Funds.

Source: District records.

General District Expenditures & Other Uses by Object

Fiscal Year	Certificated Salaries	Classified Salaries	Employee Benefits	Books & Supplies	Services & Other Oper. Exp.	Capital Outlay	Debt Service	Other Outgo	Operating Transfers Out	Total Expenditures & Other Uses
2009	$ 20,706,572	$ 6,360,244	$8,650,400	$ 1,508,458	$ 4,263,747	$ 288,858	$268,821	$ -	$ -	$ 42,047,100
2010	20,146,577	6,247,351	8,442,562	1,818,732	4,745,088	229,941	332,803	-	275,848	42,238,902
2011	19,854,449	6,678,388	9,302,308	1,626,460	4,859,402	282,527	332,803	3,340	1,364,462	44,304,139
2012	19,793,946	6,407,793	9,412,924	1,745,635	4,825,270	202,185	332,803	-	296,030	43,016,585
2013	20,883,829	6,811,312	9,476,020	2,633,136	6,754,968	472,720	332,803	-	1,670,233	49,035,021
2014	23,132,798	7,235,259	9,930,036	2,628,155	7,018,003	275,412	332,803	39,836	3,656,938	54,249,238
2015	24,731,255	8,138,710	11,211,089	3,410,006	6,522,002	387,377	332,803	48,612	3,027,578	57,809,432
2016	24,846,783	8,307,382	13,444,409	2,486,192	6,954,484	403,518	332,803	65,414	1,557,405	58,398,390
2017	26,381,279	9,079,579	14,212,535	2,575,703	8,358,040	367,158	332,803	14,248	356,077	61,677,421
2018	27,457,334	9,967,796	15,915,618	2,829,074	9,394,738	138,154	332,803	7,067	2,228,521	68,271,106

Funds included are General Fund and Special Revenue Funds.

Source: District records.

General District Expenditures by Function

Fiscal Year	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Other Educ. Programs	Total
2009	$ 28,789,890	$ 3,917,608	$ 2,143,165	$ 2,571,419	$ 4,103,506	$ 521,512	$ 42,047,100
2010	28,001,455	4,018,356	2,246,602	2,957,361	4,227,636	511,642	41,963,052
2011	28,816,638	3,863,397	2,368,534	2,869,932	4,525,211	495,965	42,939,677
2012	28,756,222	4,143,081	2,270,039	3,041,672	4,125,021	384,520	42,720,555
2013	30,697,145	4,639,631	2,371,174	4,479,175	4,727,200	450,463	47,364,788
2014	32,812,101	4,915,417	2,892,842	4,170,432	5,324,123	477,384	50,592,300
2015	36,111,389	5,451,992	3,471,903	3,302,912	5,982,527	461,132	54,781,854
2016	37,339,437	5,599,987	3,556,402	3,384,366	6,357,960	602,834	56,840,985
2017	38,840,666	6,365,007	4,055,907	4,042,247	7,452,501	565,017	61,321,344
2018	42,164,705	6,602,363	4,489,476	4,284,711	7,565,042	936,288	66,042,584

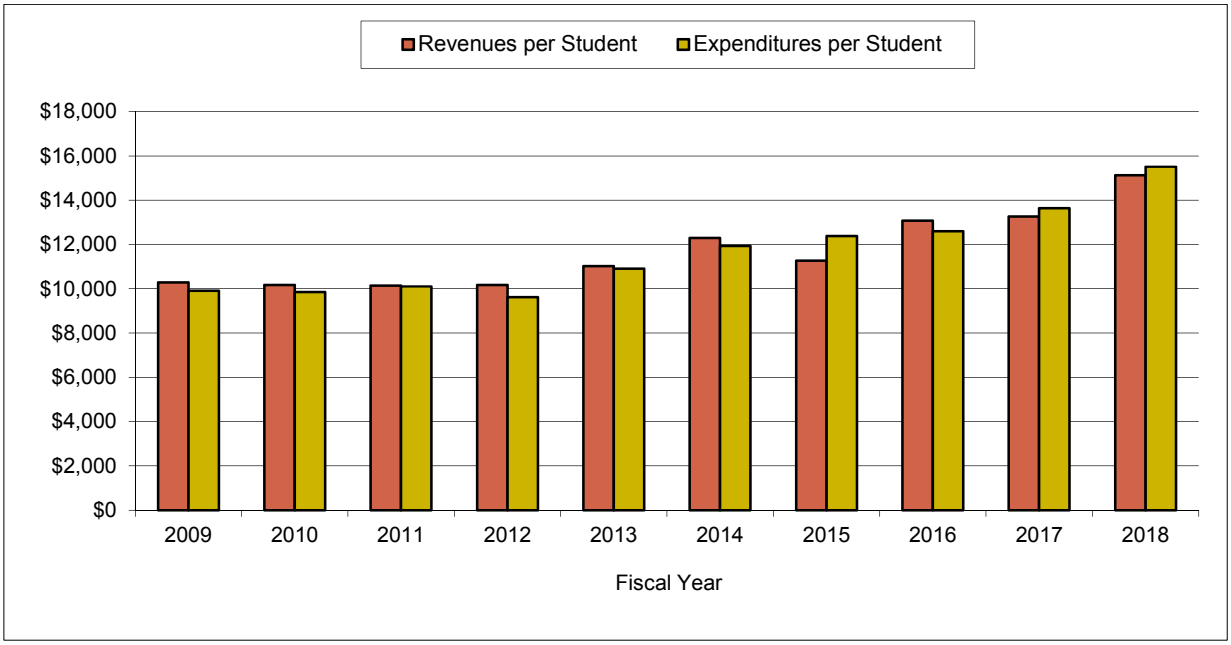
Source: District records.

General District Revenues and Expenditures, per Student

Fiscal Year	Total Revenues	Total Expenditures	*Enrollment*	Revenues per Student	Expenditures per Student
2009	$ 43,697,333	$ 42,047,100	*4,245*	$ 10,294	$ 9,905
2010	43,659,071	42,238,902	*4,287*	10,184	9,853
2011	44,468,231	44,304,139	*4,384*	10,143	10,106
2012	45,588,902	43,016,585	*4,477*	10,183	9,608
2013	49,572,735	49,035,021	*4,495*	11,028	10,909
2014	55,856,696	54,249,238	*4,543*	12,295	11,941
2015	52,671,234	57,809,432	*4,670*	11,279	12,379
2016	60,622,014	58,398,390	*4,636*	13,076	12,597
2017	59,978,300	61,677,421	*4,522*	13,264	13,639
2018	66,512,228	68,271,106	*4,400*	15,116	15,516

Funds included are General Fund and Special Revenue Funds. Expenditures include Operating Transfers Out.

Source: District records.



Fund Balances, Governmental Funds

General Fund

Fiscal Year	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2009	$ 2,471,979	$ 3,099,496	$ -	$ -	$ -	$ -	$ -	$ 5,571,475
2010	2,108,555	5,071,193	-	-	-	-	-	7,179,748
2011	-	-	5,274	151,485	-	1,797,472	5,435,873	7,390,105
2012	-	-	5,274	234,730	-	2,512,277	7,034,726	9,787,007
2013	-	-	5,000	621,845	-	2,263,956	7,361,995	10,252,796
2014	-	-	5,000	938,055	-	6,147,551	4,907,962	11,998,568
2015	-	-	5,000	369,600	-	5,703,756	855,785	6,934,141
2016	-	-	5,000	370,396	-	3,504,965	5,373,125	9,253,486
2017	-	-	5,000	241,499	-	3,421,932	3,957,816	7,626,247
2018	-	-	5,000	848,850	-	3,446,859	974,913	5,275,622

All Other Governmental Funds

Fiscal Year	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2009	$ 5,972,360	$ 488,580	$ -	$ -	$ -	$ -	$ -	$ 6,460,940
2010	6,274,946	1,044,590	-	-	-	-	-	7,319,536
2011	-	-	-	6,932,467	-	714,631	242,494	7,889,592
2012	-	-	-	7,392,509	-	1,132,399	-	8,524,907
2013	-	-	-	7,780,642	-	1,757,969	-	9,538,611
2014	-	-	-	8,113,485	-	855,917	-	8,969,402
2015	-	-	-	8,827,008	-	695,569	-	9,522,577
2016	-	-	-	9,254,967	-	1,459,396	-	10,714,363
2017	-	-	-	10,083,203	-	1,495,136	-	11,578,339
2018	-	-	-	10,740,395	-	5,064,217	-	15,804,612

Total, All Governmental Funds

Fiscal Year	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2009	$ 8,444,339	$ 3,588,076	$ -	$ -	$ -	$ -	$ -	$ 12,032,415
2010	8,383,501	6,115,783	-	-	-	-	-	14,499,284
2011	-	-	5,274	7,083,952	-	2,512,103	5,678,367	15,279,697
2012	-	-	5,274	7,627,239	-	3,644,676	7,034,726	18,311,915
2013	-	-	5,000	8,402,487	-	4,021,925	7,361,995	19,791,407
2014	-	-	5,000	9,051,540	-	7,003,468	4,907,962	20,967,970
2015	-	-	5,000	9,196,608	-	6,399,326	855,785	16,456,719
2016	-	-	5,000	9,625,363	-	4,964,360	5,373,125	19,967,849
2017	-	-	5,000	10,324,701	-	4,917,068	3,957,816	19,204,585
2018	-	-	5,000	11,589,245	-	8,511,076	974,913	21,080,234

Note: GASB 54 requirements for fund balance reporting changed as of fiscal year 2011.

Source: District records.

Changes in Fund Balances, Governmental Funds

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues:										
LCFF/Revenue limit sources	$ 25,299,763	$ 26,275,514	$ 25,458,478	$ 26,170,118	$ 28,210,728	$ 31,459,840	$ 31,730,727	$ 36,138,756	$ 37,978,939	$ 39,832,161
Federal	1,075,398	1,932,612	1,783,741	1,005,829	1,051,413	934,871	1,003,227	1,024,458	1,105,381	1,102,424
Other state	4,445,265	3,503,288	2,626,630	1,681,572	1,689,287	2,989,557	1,531,224	5,897,833	3,828,374	4,996,769
Other local	21,448,447	21,407,462	23,023,763	26,883,217	29,180,490	28,412,857	30,867,318	28,755,419	28,801,091	31,871,406
Total revenues	52,268,873	53,118,876	52,892,612	55,740,736	60,131,918	63,797,125	65,132,496	71,816,466	71,713,785	77,802,760
Expenditures:										
Instruction	28,715,203	28,001,455	28,816,637	28,756,222	30,697,146	32,812,101	36,111,389	37,339,440	38,840,664	42,164,706
Instruction-related services:										
Supervision of instruction	1,074,403	1,262,974	1,157,483	1,100,846	1,375,094	1,467,127	1,764,214	1,768,590	2,284,013	2,336,569
Instruction library, media and technology	399,804	311,464	326,008	535,255	774,439	817,044	848,179	883,708	982,592	1,027,454
School site administration	2,443,401	2,443,918	2,379,907	2,506,981	2,490,098	2,631,247	2,839,598	2,947,689	3,098,401	3,238,340
Pupil services:										
Home-to-school transportation	323,729	273,193	256,647	266,025	315,975	265,069	215,363	235,368	468,061	496,399
Food services	87,929	98,674	110,721	5,880	55,695	77,609	99,186	99,901	107,072	145,100
All other pupil services	1,731,507	1,874,735	2,001,166	1,998,134	1,999,504	2,550,163	3,157,355	3,221,133	3,480,773	3,847,977
General administration:										
Data processing	363,357	361,469	489,844	405,451	576,749	534,630	578,587	676,174	851,172	763,437
All other general administration	2,208,063	2,595,892	2,380,088	2,636,221	3,902,426	3,635,802	2,724,325	2,708,192	3,191,075	3,521,274
Plant services	4,680,449	4,705,061	5,086,314	4,787,199	5,433,834	6,130,881	7,119,139	7,348,130	8,502,280	8,484,301
Facilities acquisition and construction	3,742,556	576,096	541,464	676,074	1,594,503	2,027,138	4,265,100	5,562,598	2,593,113	795,691
Other educational programs	-	-	3,340	-	-	39,836	48,612	65,414	14,248	7,067
Debt service:										
Principal	3,126,136	3,677,690	4,299,336	3,211,822	3,356,525	3,723,688	3,814,086	4,146,457	7,306,516	8,395,760
Interest, fees and issuance costs	4,685,998	4,469,387	4,263,245	5,822,407	6,372,081	5,908,227	6,011,639	6,302,541	3,488,827	3,203,036
Total expenditures	53,582,535	50,652,008	52,112,200	52,708,517	58,944,069	62,620,562	69,596,772	73,305,335	75,208,807	78,427,111
Excess (deficiency) of revenues over (under) expenditures	(1,313,662)	2,466,868	780,412	3,032,219	1,187,849	1,176,563	(4,464,276)	(1,488,869)	(3,495,022)	(624,351)
Other financing sources (uses):										
Proceeds from bond issuances	-	-	-	-	30,559,345	-	-	5,000,000	38,881,758	-
Defeasance of general obligation bonds	-	-	-	-	(30,267,702)	-	-	-	(36,150,000)	-
Bond premium	-	-	-	-	-	-	-	-	-	-
Proceeds from lease-leaseback transaction	2,025,000	-	-	-	-	-	-	-	-	-
All other financing sources (uses)	-	-	-	-	-	-	-	-	-	2,500,000
Total other financing sources (uses)	2,025,000	-	-	-	291,643	-	-	5,000,000	2,731,758	2,500,000
Net changes in fund balances	711,338	2,466,868	780,412	3,032,219	1,479,492	1,176,563	(4,464,276)	3,511,131	(763,264)	1,875,649
Fund balances beginning	11,321,078	12,032,416	14,499,284	15,279,696	18,311,915	19,791,407	20,967,970	16,456,718	19,967,849	19,204,585
Prior Period Adjustment							(46,976)			
Fund balances beginning, as adjusted							20,920,994	16,456,718	19,967,849	19,204,585
Fund balances ending	$ 12,032,416	$ 14,499,284	$ 15,279,696	$ 18,311,915	$ 19,791,407	$ 20,967,970	$ 16,456,718	$ 19,967,849	$ 19,204,585	$ 21,080,234
Debt service as a % of non-capital expenditures	15.4%	16.1%	16.5%	17.2%	16.6%	15.4%	14.2%	14.3%	14.4%	14.8%

Source: Data extracted from District Financial Statements.

Total Debt Service (from above)	7,812,134	8,147,077	8,562,581	9,034,229	9,728,606	9,631,915	9,825,725	10,448,998	10,795,343	11,598,796
Total Expenditures (from above)	53,582,535	50,652,008	52,112,200	52,708,517	58,944,069	62,620,562	69,596,772	73,305,335	75,208,807	78,427,111
less, Capital Expenditures[1]	2,833,692	117,620	156,551	172,633	442,903	132,810	178,557	18,388	-	5,396
Total Non-capital Expenditures	50,748,843	50,534,388	51,955,649	52,535,884	58,501,166	62,487,752	69,418,215	73,286,947	75,208,807	78,421,715

[1] Capital expenditures reflect "expenditures for capital asset additions" as shown in the Reconciliation of the Governmental Funds Statement of Revenues and Expenditures and Changes in Fund Balances to the Statement of Activities.

Revenue Base: Assessed Valuation (AV) and Property Tax Collections
(Dollars in Millions)

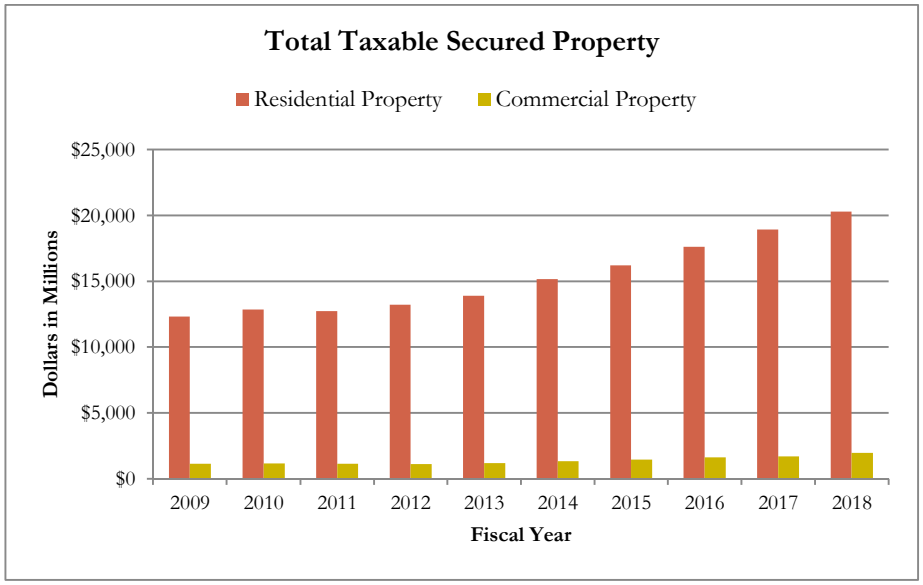
Fiscal Year	*Residential Property*	*Commercial Property*	*Total Net Secured*	*Utilities*	*Total Net Unsecured*	*Total Net (Taxable) AV*	*Weighted Average Tax Rate per $100 AV* [1]	*Total Property Tax Collections*
2009	$12,340.22	$1,133.62	$13,473.84	$0.00	$153.26	$13,627.10	0.1931	$26.32
2010	$12,851.07	$1,163.18	$14,014.25	$0.00	$162.75	$14,177.00	0.1896	$26.88
2011	$12,730.15	$1,134.01	$13,864.16	$0.00	$151.53	$14,015.69	0.1879	$26.34
2012	$13,226.58	$1,102.81	$14,329.39	$0.00	$136.88	$14,466.27	0.1883	$27.23
2013	$13,896.49	$1,180.09	$15,076.58	$0.00	$129.07	$15,205.65	0.1898	$28.85
2014	$15,181.88	$1,314.57	$16,496.45	$0.00	$145.01	$16,641.46	0.1897	$31.56
2015	$16,214.37	$1,439.11	$17,653.47	$0.00	$162.81	$17,816.28	0.1918	$34.18
2016	$17,612.27	$1,605.22	$19,217.49	$0.00	$175.23	$19,392.73	0.1929	$37.40
2017	$18,933.20	$1,700.00	$20,633.20	$0.00	$128.38	$20,761.58	0.1917	$39.81
2018	$20,284.12	$1,954.57	$22,238.69	$0.00	$135.92	$22,374.61	0.1911	$42.77

[1] General purpose tax rate only; excludes tax rate to retire bonded indebtedness.

Per California law all properties are taxed at 1% of AV.
A portion of these tax proceeds goes to schools; that proportion differs from one tax rate area to another.
There are 40 different tax rate areas within Los Altos School District.

Note: Under the Teeter Plan (an alternate method of apportioning tax revenues to school districts), Santa Clara County distributes 100% of the general purpose taxes levied to its districts each year.

Source: Santa Clara County Controller; Santa Clara County Assessor



Revenue Base: Property Tax Rates, All Direct and Overlapping Governments

	2008/09	2009/10	2010/11	2011/12	2012/13
County-wide Rate [(a)]	**1.0000%**	1.0000%	1.0000%	**1.0000%**	**1.0000%**
County Retirement Levy	0.0388%	0.0388%	0.0388%	0.0388%	0.0388%
County Library Retirement	0.0024%	0.0024%	0.0024%	0.0024%	0.0024%
County Hospital Bonds	n/a	n/a	0.0095%	0.0047%	0.0051%
County Housing Bonds	n/a	n/a	n/a	n/a	n/a
Los Altos Elementary 1998/2014	**0.0526%**	0.0539%	0.0600%	**0.0595%**	**0.0579%**
Mid-Peninsula Regional Open Space 2014	n/a	n/a	n/a	n/a	n/a
El Camino Hospital District	0.0129%	0.0129%	0.0129%	0.0129%	0.0129%
Foothill-De Anza Coll. 1999	0.0123%	0.0322%	0.0326%	0.0297%	0.0287%
MV-Los Altos High Bonds 1995/2010	0.0148%	0.0147%	0.0151%	0.0147%	0.0139%
SCVWD-State Water Project	0.0059%	0.0071%	0.0070%	0.0063%	0.0069%
SCVWD-Zone W-1 Bond	0.0002%	0.0003%	0.0002%	0.0001%	0.0000%
TOTAL	**1.1399%**	**1.1623%**	**1.1785%**	**1.1691%**	**1.1666%**

	2013/14	2014/15	2015/16	2016/17	2017/18
County-wide Rate [(a)]	**1.0000%**	**1.0000%**	**1.0000%**	**1.0000%**	**1.0000%**
County Retirement Levy	0.0388%	0.0388%	0.0388%	0.0388%	0.0388%
County Library Retirement	0.0024%	0.0024%	0.0024%	0.0024%	0.0024%
County Hospital Bonds	0.0035%	0.0091%	0.0088%	0.0086%	0.0082%
County Housing Bonds	n/a	n/a	n/a	n/a	0.0127%
Los Altos Elementary 1998/2014	**0.0534%**	**0.0524%**	**0.0485%**	**0.0479%**	**0.0463%**
Mid-Peninsula Regional Open Space 2014	n/a	n/a	0.0008%	0.0006%	0.0009%
El Camino Hospital District	0.0129%	0.0129%	0.0129%	0.0129%	0.0100%
Foothill-De Anza Coll. 1999	0.0290%	0.0276%	0.0240%	0.0234%	0.0220%
MV-Los Altos High Bonds 1995/2010	0.0121%	0.0133%	0.0119%	0.0112%	0.0107%
SCVWD-State Water Project	0.0070%	0.0065%	0.0057%	0.0086%	0.0062%
SCVWD-Zone W-1 Bond	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
TOTAL	**1.1591%**	**1.1630%**	**1.1538%**	**1.1544%**	**1.1582%**

(a) Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution. Only a portion of this rate applies to the district.

Source: County of Santa Clara Auditor-Controller's Office (Typical Tax Rate per $100 Assessed Valuation TRA 11-001).

Data Extracted From Above

The Los Altos School District's share of the county-wide general purpose 1% secured tax rate is based on historical formulas and can vary slightly from year to year. **For purposes of this table we show the weighted average tax rate for all 40 tax rate areas within the district.** Tax rates for the ten year period directly applicable to Los Altos School District include its share of the general purpose tax rate and the special purpose bond rate (used to retire debt on the "Los Altos Elementary 1998" general obligation bonds).

	2008/09	2009/10	2010/11	2011/12	2012/13
Los Altos School District, General Purpose	0.1931%	0.1896%	0.1879%	0.1883%	0.1898%
Los Altos School District, 1998 Bonds	0.0526%	0.0539%	0.0600%	0.0595%	0.0579%
Total	0.2457%	0.2435%	0.2479%	0.2478%	0.2477%

	2013/14	2014/15	2015/16	2016/17	2017/18
Los Altos School District, General Purpose	0.1897%	0.1918%	0.1929%	0.1917%	0.1911%
Los Altos School District, 1998 Bonds	0.0534%	0.0524%	0.0485%	0.0479%	0.0463%
Total	0.2431%	0.2442%	0.2414%	0.2396%	0.2374%

Principal Local Secured Taxpayers

2017-18 compared to nine years earlier

Rank	Property Owner	Land Use	2017-18 Assessed Value	Pct of Total[1]	2008-09 Assessed Value	Pct of Total[1]	Rank
1	MGP IX CP Venture LLC	Apartments	$ 157,643,553	0.71%			
2	MGP IX Sac II Properties LLC	Shopping Center	137,133,946	0.62%			
3	MV Domus Apartments LLC	Apartments	131,029,207	0.59%			
4	4740 ECR Los Altos LLC	Apartments	86,779,819	0.39%			
5	Lucile Salter Packard Children's Hospital	Office Building	85,492,315	0.38%			
6	BP West El Camino LLC	Office Building	84,576,200	0.38%	47,583,000	0.35%	2
7	San Antonio Apartments	Apartments	69,564,282	0.31%			
8	RLJ Los Altos LP	Shopping Center	65,906,770	0.30%			
9	Avalonbay Communities, Inc.	Apartments	63,292,137	0.28%	55,248,256	0.41%	1
10	Los Altos Gardens I & II LP	Apartments	54,402,179	0.24%	22,854,272	0.17%	7
11	St. Paul Fire & Marine Insurance Company	Office Building	50,929,952	0.23%			
12	LaPaloma Property LLC	Residential	48,871,913	0.22%			
13	MGP IX Properties LLC	Shopping Center	45,236,111	0.20%			
14	Palo Alto Bowl LLC	Hotel	41,825,475	0.19%	15,147,000	0.11%	19
15	Richard T. Spieker, Trustee	Apartments	38,606,240	0.17%			
16	SHP-Latham LLC	Office Building	34,017,000	0.15%			
17	SI 29 LLC	Office Building	33,117,198	0.15%			
18	Los Altos Golf and Country Club	Country Club	31,439,689	0.14%			
19	Douglas M. Leone, Trustee	Residential	27,581,104	0.12%			
20	Safeway Inc.	Supermarket	27,228,175	0.12%			
	Behringer Harvard El Camino Real LP	Office Building			39,525,000	0.29%	3
	San Antonio Center LLC	Shopping Center			35,005,284	0.26%	4
	West Fremont Office Corp	Office Building			32,385,000	0.24%	5
	David and Lucile Packard Foundation	Office Building			23,728,423	0.18%	6
	Jack Dymond Associates	Office Building			21,510,834	0.16%	8
	Wilfred J. and Sigrun Corrigan	Residential			21,370,094	0.16%	9
	Pacific Retail Master LP	Shopping Center			21,268,759	0.16%	10
	Compass Grand Associates LLC	Shopping Center			20,884,267	0.15%	11
	Sobrato Development Co., #792	Office Building			18,617,831	0.14%	12
	William N. Carrico	Residential			18,401,346	0.14%	13
	4 Seasons Associates LLC	Hotel			18,018,077	0.13%	14
	KRC Los Altos LP	Assisted Living Facility			17,455,117	0.13%	15
	Diane M. Santos	Shopping Center			17,121,279	0.13%	16
	Los Altos Hotel Associates LLC	Office Building			16,207,392	0.12%	17
	Charles F. Perrell	Residential			15,170,558	0.11%	18
	Book LLC	Undeveloped			15,096,000	0.11%	20
			1,314,673,265	**5.91%**	**492,597,789**	**3.66%**	

[1] *2017-18 Local Secured Assessed Valuation: $22,238,694,016*

[1] *2008-09 Local Secured AV: $13,473,828,710*

Source: California Municipal Statistics, Inc.

Property Tax Levies and Collections

General Purpose Levy

Fiscal Year	Taxes Levied (a)	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years	Total Amount Collected	Total Collected as % of Total Levy
2009	26,318,414	26,318,414	100.00%	-	26,318,414	100.00%
2010	26,875,522	26,875,522	100.00%	-	26,875,522	100.00%
2011	26,340,708	26,340,708	100.00%	-	26,340,708	100.00%
2012	27,234,353	27,234,353	100.00%	-	27,234,353	100.00%
2013	28,854,897	28,854,897	100.00%	-	28,854,897	100.00%
2014	31,564,315	31,564,315	100.00%	-	31,564,315	100.00%
2015	34,178,091	34,178,091	100.00%	-	34,178,091	100.00%
2016	37,402,066	37,402,066	100.00%	-	37,402,066	100.00%
2017	39,808,468	39,808,468	100.00%	-	39,808,468	100.00%
2018	42,650,198	42,650,198	100.00%	-	42,650,198	100.00%

(a) Under the Teeter Plan (an alternate method of apportioning tax revenues to school districts), Santa Clara County distributes 100% of the general purpose taxes levied to its districts each year.

Debt Service Levy

Fiscal Year	Taxes Levied	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years [1]	Total Amount Collected	Total Collected as % of Total Levy
2009	7,003,562	6,903,830	98.58%	-	6,903,830	98.58%
2010	7,450,153	7,357,174	98.75%	-	7,357,174	98.75%
2011	8,254,953	8,179,868	99.09%	-	8,179,868	99.09%
2012	8,433,408	8,378,415	99.35%	-	8,378,415	99.35%
2013	8,673,342	8,625,071	99.44%	-	8,625,071	99.44%
2014	8,801,948	8,748,831	99.40%	-	8,748,831	99.40%
2015	9,265,994	9,205,241	99.34%	-	9,205,241	99.34%
2016	9,276,321	9,238,525	99.59%	-	9,238,525	99.59%
2017	9,869,230	9,794,114	99.24%	-	9,794,114	99.24%
2018	10,186,224	10,151,825	99.66%	-	10,151,825	99.66%

Total, All Levies

Fiscal Year	Taxes Levied	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years	Total Amount Collected	Total Collected as % of Total Levy
2009	33,321,976	33,222,244	99.70%	-	33,222,244	99.70%
2010	34,325,675	34,232,696	99.73%	-	34,232,696	99.73%
2011	34,595,661	34,520,576	99.78%	-	34,520,576	99.78%
2012	35,667,761	35,612,768	99.85%	-	35,612,768	99.85%
2013	37,528,239	37,479,968	99.87%	-	37,479,968	99.87%
2014	40,366,263	40,313,147	99.87%	-	40,313,147	99.87%
2015	43,444,085	43,383,332	99.86%	-	43,383,332	99.86%
2016	46,678,387	46,640,591	99.92%	-	46,640,591	99.92%
2017	49,677,698	49,602,582	99.85%	-	49,602,582	99.85%
2018	52,836,422	52,802,023	99.93%	-	52,802,023	99.93%

[1] The County's current property tax system is unable to track collections by respective year of levy. Thus information on collections of delinquent taxes in subsequent years is not available.

Source: Santa Clara County records and California Municipal Statistics, Inc.

Computation of Legal Debt Margin

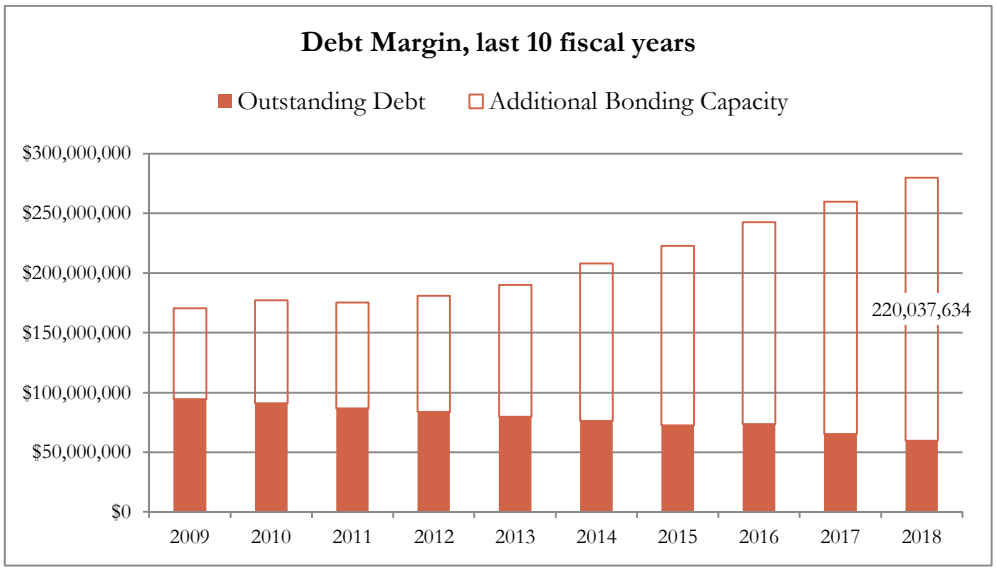
Fiscal Year	Assessed Valuation [1]	Statutory Bonding Capacity [2]	Outstanding Debt [(3)]	Additional Bonding Capacity (Debt Margin)	Ratio of Debt Margin to Debt Limit
2009	$ 13,627,085,860	$ 170,338,573	$ 94,359,000	$ 75,979,573	44.6%
2010	14,176,996,881	177,212,461	90,819,000	86,393,461	48.8%
2011	14,015,681,413	175,196,018	86,664,000	88,532,018	50.5%
2012	14,466,276,540	180,828,457	83,603,480	97,224,977	53.8%
2013	15,205,649,537	190,070,619	79,715,560	110,355,059	58.1%
2014	16,641,461,184	208,018,265	76,158,560	131,859,705	63.4%
2015	17,816,282,409	222,703,530	72,518,760	150,184,770	67.4%
2016	19,392,728,583	242,409,107	73,555,000	168,854,107	69.7%
2017	20,761,582,826	259,519,785	65,340,000	194,179,785	74.8%
2018	22,374,610,758	279,682,634	59,645,000	220,037,634	78.7%

[1] *California Municipal Statistics, Inc. and Santa Clara County.*

[2] *Statutory Bonding Capacity is equal to 1.25% of the District's total assessed valuation.*

[(3)] The district's debt margin is calculated by subtracting from the statutory bonding capacity the sum of the outstanding debt principal (net general bonded debt) and bond anticipation notes . See table below for the net bonded debt for FY2018 and outstanding bond anticipation notes.

General Bonded Debt, gross	$	55,390,304
Less, Unamortized Bond Premium		5,745,304
General Bonded Debt, net		49,645,000
Bond Anticipation Notes		10,000,000
Total, Outstanding Debt	$	59,645,000



Ratio of Total Debt to AV / Capita

Year	General Bonded Debt [1]	Bond Anticipation Notes [1]	Site Lease Purchase Obligations [1]	Total Debt [1]	Assessed Value	Debt / A.V.	Estimated Population [2]	Debt/ Capita
2009	$ 94,359,000		$ 4,123,551	$ 98,482,551	$ 13,627,085,860	0.723%	41,178	$ 2,392
2010	90,819,000		3,985,861	94,804,861	14,176,996,881	0.669%	40,791	2,324
2011	86,664,000		3,841,525	90,505,525	14,015,681,413	0.646%	40,496	2,235
2012	83,603,480		3,690,222	87,293,702	14,466,276,540	0.603%	40,341	2,164
2013	79,715,560		3,531,616	83,247,176	15,205,649,537	0.547%	40,256	2,068
2014	86,588,753		3,365,355	89,954,108	16,641,461,184	0.541%	41,241	2,181
2015	81,790,044		3,191,069	84,981,113	17,816,282,409	0.477%	42,487	2,000
2016	76,667,374	5,000,000	3,008,372	84,675,746	19,392,728,583	0.437%	43,765	1,935
2017	64,734,365	7,500,000	2,816,856	75,051,221	20,761,582,826	0.361%	45,040	1,666
2018	55,390,304	10,000,000	2,616,096	68,006,400	22,374,610,758	0.304%	45,040	1,510

[1] *As of June 30th*

[2] *Estimated population from the U.S. Census Bureau, http://www.census.gov/did/www/saipe/index.html*

Data for 2011 and 2012 were estimated based off of the population growth in Los Altos and Los Altos Hills.

Below is the ratio of net general bonded debt to both district assessed valuation and population. Data on net general bonded debt is not readily available for fiscal years prior to 2016.

Ratio of Net General Bonded Debt to AV / Capita

Year	General Bonded Debt, gross	less, Unamortized Bond Premium	General Bonded Debt, net	Assessed Value	Debt / A.V.	Estimated Population	Debt/Capita
2016	$ 76,667,374	$ 8,112,374	$ 68,555,000	$ 19,392,728,583	0.354%	43,765	$ 1,566
2017	64,734,365	6,894,365	57,840,000	20,761,582,826	0.279%	45,040	1,284
2018	55,390,304	5,745,304	49,645,000	22,374,610,758	0.222%	45,040	1,102

Data extracted from table above; unable to calculate net general bonded debt prior to FY2016 as data for unamortized bond premium not available

Direct and Overlapping Debt

2017-18 Assessed Valuation: $22,374,610,758

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2017	% Applicable	Debt 6/30/17
Santa Clara County	$1,011,383,534	4.98%	$50,366,900
Foothill-De Anza Community College District	$633,997,981	14.36%	91,061,130
Mountain View-Los Altos Union High School District	$52,243,376	46.26%	24,165,696
City of Palo Alto	$62,140,025	0.79%	489,042
City of Los Altos 1915 Act Bonds (Estimate)	$729,281	80.56%	587,538
City of Los Altos Hills Assessment District No. 1	$1,715,000	100.00%	1,715,000
El Camino Hospital District	$127,800,000	25.69%	32,833,098
Midpeninsula Regional Park District	$93,350,006	8.43%	7,866,605
Santa Clara Valley Water District Benefit Assessment District	$82,285,005	4.98%	4,093,679
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$2,065,644,208		$213,178,688
OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	$589,650,361	4.98%	$29,364,588
Santa Clara County Pension Obligation Bonds	$3,575,472	4.975	17,787,972
Santa Clara County Board of Education Certificates of Participation	$50,031	4.957	248,004
Foothill-DeAnza Community College District Certificates of Participation	$288,039	14.363	4,137,098
Mountain View-Los Altos Union High School District Certificates of Participati	$18,450	46.256	853,423
City of Los Altos Certificates of Participation	$12,450	81.04	1,008,948
Other City General Fund Obligations		Various	107,698
Midpeninsula Regional Park District General Fund Obligations	$1,230,406	8.427	10,368,631
Santa Clara Valley Vector Control District Certificates of Participation	$24,700	4.975	122,883
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT	$594,849,909		$63,999,245
Less: Santa Clara County supported obligations			20,242,562
TOTAL NET OVERLAPPING GENERAL FUND DEBT			$43,756,683
GROSS COMBINED TOTAL OVERLAPPING DEBT			$277,177,933 [1]
NET COMBINED TOTAL OVERLAPPING DEBT			$256,935,371

[1]Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

District Direct Debt			
General Bonded Debt	$55,390,304	100%	$55,390,304
Bond Anticipation Notes	10,000,000	100%	10,000,000
Site Lease Purchases	2,616,096	100%	2,616,096
Total, District Direct Debt	**$68,006,400**	**100%**	**$68,006,400**
Total, Direct and Overlapping Debt (gross)			$345,184,333
Total, Direct and Overlapping Debt (net)			$324,941,771

Ratios to 2017-18 Assessed Valuation:	
Direct Debt ($68,006,400)	**0.30%**
Total Overlapping Tax and Assessment Debt	1.24%
Gross Combined Total Debt	1.54%
Net Combined Total Debt	1.45%

Source: California Municipal Statistics, Inc.

Ratio of Annual Debt Service Expenditures to General Expenditures

Fiscal Year	Annual Debt Service	Total General Expenditures [1]	Debt / Expenditures
2009	$ 7,214,250	$ 41,885,604	17.22%
2010	7,633,750	41,771,005	18.28%
2011	8,069,075	42,743,485	18.88%
2012	8,648,100	42,598,228	20.30%
2013	7,684,300	47,139,214	16.30%
2014	9,193,487	50,152,353	18.33%
2015	8,391,675	54,359,641	15.44%
2016	9,791,580	56,443,717	17.35%
2017	10,012,817	60,948,102	16.43%
2018	10,653,077	65,841,723	16.18%

[1] *General Fund expenditures only.*

Annual debt service is bond debt service due in the upcoming fiscal year as of June 30 of the prior year and excludes bonds issued during the fiscal year.

Source: District records, Annual Budget Documents

Enrollment & Attendance History

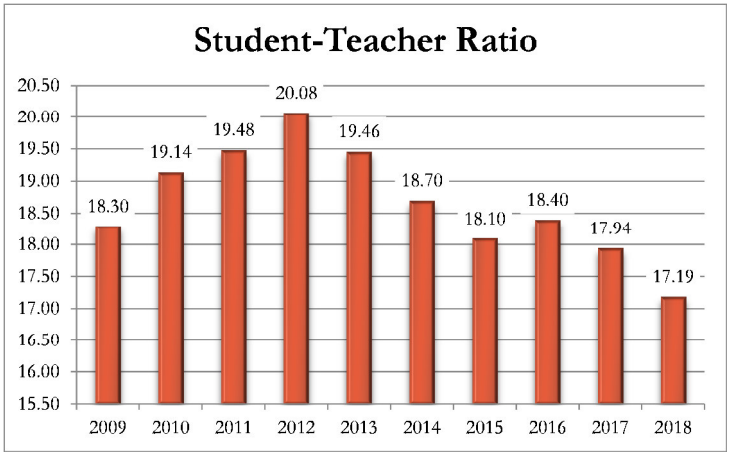
Fiscal Year	*Average Daily Attendance (ADA) (2nd Period)*	*Enrollment (October)*	*Ratio, ADA to Enrollment*	*Enrollment Growth: %*
2009	4,156	4,245	0.98	-0.5%
2010	4,197	4,287	0.98	1.0%
2011	4,301	4,384	0.98	2.3%
2012	4,387	4,477	0.98	2.1%
2013	4,402	4,495	0.98	0.4%
2014	4,449	4,543	0.98	1.1%
2015	4,565	4,670	0.98	2.8%
2016	4,533	4,636	0.98	-0.7%
2017	4,379	4,522	0.97	-2.5%
2018	4,292	4,400	0.98	-2.7%

Source: District records.

Student-Teacher Ratios

Fiscal Year	*Student Enrollment*	*No. of Teachers*	*Student-Teacher Ratio*
2009	4,245	232	18.30
2010	4,287	224	19.14
2011	4,384	225	19.48
2012	4,477	223	20.08
2013	4,495	231	19.46
2014	4,543	243	18.70
2015	4,670	258	18.10
2016	4,636	252	18.40
2017	4,522	252	17.94
2018	4,400	256	17.19

Source: District records.



New Construction for Los Altos and Los Altos Hills

	Los Altos Number of New Units			Los Altos Hills Number of New Units		
Year	Single Unit	Multi-Units	Total	Single Unit	Multi-Units	Total
2008	36	2	38	23	0	23
2009	29	0	29	16	1	17
2010	80	3	83	18	0	18
2011	44	23	67	26	0	26
2012	46	0	46	21	0	21
2013	78	48	126	30	0	30
2014	35	182	217	25	4	29
2015	42	4	46	42	0	42
2016	52	0	52	34	0	34
2017	41	0	41	24	0	24

	Los Altos Valuations (in thousands)			Los Altos Hills Valuations (in thousands)		
Year	Single Unit	Multi-Units	Total	Single Unit	Multi-Units	Total
2008	26,622	1,748	28,369	17,309	0	17,309
2009	25,395	0	25,395	13,401	1,770	15,172
2010	35,219	210	35,429	18,446	0	18,446
2011	31,672	8,178	39,850	22,551	0	22,551
2012	33,516	0	33,516	12,554	0	12,554
2013	46,592	15,100	61,692	29,970	0	29,970
2014	25,654	47,541	73,195	18,121	2,545	20,666
2015	35,100	403	35,503	36,500	0	36,500
2016	47,780	0	47,780	25,520	0	25,520
2017	39,010	0	39,010	20,996	0	20,996

Source: U.S. Census Bureau

(http://œnstats.œnsus.gov/bldg/bldgprmt.shtml)

Total Taxable Transactions for Los Altos, Los Altos Hills and Santa Clara County

Year	Los Altos	Los Altos Hills	Santa Clara County
2008	219,960	8,001	32,274,306
2009	181,790	7,252	27,427,709
2010	191,425	6,836	30,523,322
2011	202,283	7,717	33,431,217
2012	209,680	8,002	36,220,445
2013	209,851	7,332	37,621,606
2014	214,675	7,352	39,628,655
2015	288,867	6,317	41,231,759
2016	228,529	7,794	41,831,669
2017*	172,989	5,743	31,039,739

Source: State Board of Equalization (http://www.boe.ca.gov/news/tsalescont.htm)

**Information avaliable only for three quarters.*

Bank Deposits for Santa Clara County

Data unavailable for the District.

Fiscal Year	Deposits (in millions)
2009	56,640
2010	62,548
2011	68,057
2012	73,478
2013	81,618
2014	99,193
2015	114,438
2016	123,789
2017	134,866
2018	141,656

Source: Federal Deposit Insurance Corporation (http://www2.fdic.gov/sod/SODSumReport.asp)

Principal Employers, Santa Clara County

Most recent (FY2017) compared to nine years earlier

					Fiscal Year 2008		
	Employer	Product/Service	Employees	% of Total County Employment	Employees	Rank	% of Total County Employment
1	Apple Computer	Personal computers	25,000	2.53%	10,000	3	1.22%
2	Alphabet Inc.	Computer products	20,000	2.02%			
3	County of Santa Clara	Government	18,244	1.85%	16,011	1	1.96%
4	Stanford University	Higher Education	16,919	1.71%			
5	Cisco Technology Inc.	Computer products	15,700	1.59%	13,000	2	1.59%
6	Kaiser Permanente	Health Maintenance Organization	12,500	1.27%			
7	Stanford Healthcare	Medical & surgical hospitals/clinics	10,034	1.02%	5,500	7	0.67%
8	Tesla Motors Inc.	Automotive/alternative energy	10,000	1.01%			
9	Facebook Inc.	Social media/networking	9,385	0.95%			
10	Intel Corporation	Computer products	8,500	0.86%	5,000	9	0.61%
	Lockheed Martin Corp.	Search & navigation systems			9,400	4	1.15%
	IBM	Informational technology			7,650	5	0.93%
	Hewlett Packard Co.	Computers and software			7,000	6	0.86%
	Fujitsu	Digital technology			5,000	8	0.61%
	Applied Materials, Inc.	Computer products			4,000	10	0.49%
	Total, Top Ten Employers		**146,282**	**14.80%**	**82,561**		**10.09%**
	Total County Employment		**988,100**		**818,650**		

Source: County of Santa Clara annual financial report.

Staffing FTE by Function

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Teachers	231.63	224.22	223.92	222.70	230.97	243.16	257.75	251.58	251.68	256.27
Para-professionals	82.62	74.36	85.05	76.35	82.81	81.53	89.76	89.83	89.50	98.06
sub-total, Instruction	314.25	298.58	308.97	299.05	313.78	324.69	347.51	341.41	341.18	354.33
Instruction-related services	25.70	26.13	25.73	25.12	26.70	27.30	27.30	26.37	29.88	33.38
Pupil services	7.20	7.40	8.20	7.70	9.00	12.60	12.00	13.30	13.20	13.20
General administration	20.76	19.89	20.82	20.48	22.33	24.66	30.70	28.89	27.91	30.49
Plant services	23.38	23.00	23.00	21.00	21.00	21.50	23.00	23.00	23.00	23.00
Facilities acquistion & construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total, all staffing	391.29	375.00	386.72	373.35	392.81	410.75	440.51	432.97	435.17	454.40
Teachers (FTE)	231.63	224.22	223.92	222.70	230.97	243.16	257.75	251.58	251.68	256.27
% of total staffing	59%	60%	58%	60%	59%	59%	59%	58%	58%	56%

Source: District records.

2017–18 Teaching Staff Demographics

Average Age	43	
Average Years Teaching in District	9	
Average Total Years Teaching	14	
1st Year	15	teachers
2nd Year	10	teachers
3-5 Years	39	teachers
6+ Years	194	teachers
Male	32	
Female	226	
	258	
Ethnicity		
White	212	(82%)
All Other	46	(18%)
	258	
Highest Education Level Attained		
Masters or greater	169	
Teachers with CLAD Credentials	255	

Source: District records.

Capital Assets by Function and Activity

Function and Activity	Fiscal Year 2009	2010	2011	2012	2013
Instruction	$ 102,980,304	$ 103,050,454	$ 103,164,639	$ 103,308,103	$ 103,584,200
Supervision of instruction	360,061	360,061	360,061	360,061	360,061
Instruction library, media and technology	9,776,525	9,776,525	9,776,525	9,776,525	9,776,525
School site administration	9,930,707	9,930,707	9,930,707	9,930,708	9,930,708
Food services	47,158	47,158	47,158	47,158	47,158
All other pupil services	81,810	81,810	81,810	81,809	81,809
Data processing	165,384	165,384	178,860	178,860	189,895
All other general administration	2,726,948	2,726,948	2,726,948	2,726,948	2,726,949
Plant services	5,395,098	5,432,174	5,461,064	5,490,233	5,641,003
Total capital assets	$ 131,463,995	$ 131,571,221	$ 131,727,772	$ 131,900,405	$ 132,338,308

Function and Activity	Fiscal Year 2014	2015	2016	2017	2018
Instruction	$ 103,630,018	$ 103,817,315	$ 103,817,315	$ 103,742,589	$ 103,747,985
Supervision of instruction	360,061	360,061	360,061	360,061	360,061
Instruction library, media and technology	9,776,525	9,776,525	9,776,525	9,776,525	9,776,525
School site administration	9,988,903	9,988,903	9,988,903	9,988,903	9,988,903
Food services	47,158	47,158	47,158	47,158	47,158
All other pupil services	81,810	81,810	81,810	81,810	81,810
Data processing	189,895	189,895	208,283	194,807	194,808
All other general administration	2,746,903	2,746,903	2,746,903	2,746,903	2,746,903
Plant services	5,649,845	5,656,945	5,656,945	5,656,945	5,656,945
Total capital assets	$ 132,471,118	$ 132,665,515	$ 132,683,903	$ 132,595,701	$ 132,601,097

Source: District records.

School Building Information

	Year Built	Year Renovated	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Almond Elementary	*1957*	*2003*										
Square Feet			32,427	32,427	32,427	32,427	32,427	32,427	32,427	32,427	32,427	32,427
Capacity			350	350	350	350	350	350	350	350	350	350
Enrollment			554	538	531	526	540	510	545	536	541	508
Gardner Bullis Elementary	*1961*	*2008*										
Square Feet			16,588	16,588	16,588	16,588	16,588	16,588	16,588	16,588	16,588	16,588
Capacity			200	200	200	200	200	200	200	200	200	200
Enrollment			202	246	291	298	321	318	337	352	345	309
Covington Elementary	*1950*	*2003*										
Square Feet			48,824	48,824	48,824	48,824	48,824	48,824	48,824	48,824	48,824	48,824
Capacity			600	600	600	600	600	600	600	600	600	600
Enrollment			488	455	455	498	500	512	553	559	561	580
Loyola Elementary	*1949*	*2004*										
Square Feet			30,851	30,851	30,851	30,851	30,851	30,851	30,851	30,851	30,851	30,851
Capacity			475	475	475	475	475	475	475	475	475	475
Enrollment			538	571	590	588	573	542	526	505	446	425
Oak Elementary	*1957*	*2005*										
Square Feet			21,264	21,264	21,264	21,264	21,264	21,264	21,264	21,264	21,264	21,264
Capacity			350	350	350	350	350	350	350	350	350	350
Enrollment			445	450	446	463	487	506	459	444	430	409
Santa Rita Elementary	*1957*	*2004*										
Square Feet			25,578	25,578	25,578	25,578	25,578	25,578	25,578	25,578	25,578	25,578
Capacity			400	400	400	400	400	400	400	400	400	400
Enrollment			514	523	542	537	566	561	568	561	541	546
Springer Elementary	*1955*	*2003*										
Square Feet			29,603	29,603	29,603	29,603	29,603	29,603	29,603	29,603	29,603	29,603
Capacity			500	500	500	500	500	500	500	500	500	500
Enrollment			490	521	516	535	517	522	538	522	501	495
Blach Intermediate	*1957*	*2002*										
Square Feet			64,784	64,784	64,784	64,784	64,784	64,784	64,784	64,784	64,784	64,784
Capacity			600	600	600	600	600	600	600	600	600	600
Enrollment			475	449	476	476	471	512	525	512	499	517
Egan Intermediate	*1959*	*2002*										
Square Feet			59,488	59,488	59,488	59,488	59,488	59,488	59,488	59,488	59,488	59,488
Capacity			600	600	600	600	600	600	600	600	600	600
Enrollment			539	534	537	556	520	560	619	645	658	611
District Administration	*1950*	*2003*										
Square Feet			12,593	12,593	12,593	12,593	12,593	12,593	12,593	12,593	12,593	12,593
Maintenance	*2003*	*n/a*										
Square Feet			5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440

Square Footage reflects permanent buildings only.

Capacity based on average of 25 students per classroom and excludes portable buildings.

Source: District records.

History of Investment Income (Interest Earnings)

By Fund Type

Fiscal Year	General	Special Revenue	Capital Projects	Bond Interest & Redemption	Total, All Funds
2009	$ 411,230	$ 10,722	$ 26,869	$ 44,427	$ 493,248
2010	206,033	3,945	(3,695)	13,681	219,964
2011	187,685	1,396	4,862	21,010	214,953
2012	81,499	1,711	2,737	16,100	102,047
2013	71,068	2,196	2,334	13,889	89,487
2014	58,041	1,461	1,612	10,978	72,091
2015	52,978	1,291	757	14,805	69,831
2016	91,378	1,373	10,200	25,073	128,025
2017	135,183	1,185	14,782	38,065	189,214
2018	219,583	2,519	34,503	64,404	321,009

Includes interest earnings in Deferred Maintenance Fund, which in the Statement of Activities are reclassified as Operating Grants & Contributions (per GASB 34).

Source: District records.

LASD Community Demographic Data: 2017 [1]

	District	County	State
Population	44,100	1,911,226	38,982,847
Distribution by Age			
Under 5 Years	5%	6%	6%
5–19 Years	22%	19%	20%
20–44 Years	25%	37%	36%
45–64 Years	30%	26%	25%
65 Years or Older	19%	13%	13%
Median Age	44	37	36.1
Household Characteristics			
Number of children under 18	11,067	433,846	9,088,594
% Living in Single-Parent Households	10%	22%	31%
Employment			
Unemployment rate for those aged 16+	3.3%	5.5%	7.7%
Income and Wealth			
Median Household Income	$189,267	$106,761	$67,169
Income Per Person	$99,010	$48,689	$33,128
Median Home Value	$2,000,000+	$829,600	$443,400
Total Personal Income	$4,366,341,000	$93,055,682,714	$1,291,423,755,416
Adult Education Attainment Levels			
Adults with H.S. Diploma	98%	89%	83%
Adults with Bachelor's Degree	85%	52%	33%

Source: U.S. Census Bureau, 2013-2017 American Community Survey
http://factfinder2.census.gov/

Comparative Birth Data

Calendar Year	LASD Zip Codes	Santa Clara County	California
2008	366	26,730	551,567
2009	314	25,200	526,774
2010	318	23,936	509,974
2011	309	24,284	502,023
2012	341	24,967	503,788
2013	324	23,867	494,392
2014	n/a	24,302	502,973
2015	n/a	23,360	492,284
2016	n/a	23,834	492,284
2017	n/a	not yet available	471,500

Total births by place of mother's residence. Data for Los Altos School District extracted from zip code data, and no longer available starting in 2014.

Source: California Department of Public Health

Miscellaneous Statistics

District Name:	Los Altos School District	
Type of District:	Elementary (K-8)	
Year Founded:	1909	
Area (square miles):	20.64	*(est.)*
Population Served:	45,040	*(est.)*
Number of Schools:		
Elementary (K-6)	7	
Intermediate (7-8)	2	
Total	9	
Enrollment:		
Elementary (K-6)	3,272	*(Fall 2017)*
Intermediate (7-8)	1,128	*(Fall 2017)*
Total	4,400	
% of students eligible for free or reduced lunches	6%	
Number of Employees:		
Certificated	269	*full-time equivalents*
Classified	155	*full-time equivalents*
Management/Confidential	31	*full-time equivalents*
Total	455	
Teacher to Pupil Ratio:	17.19	

Source: District records.

State and Federal Award Compliance Information Section

Los Altos School District

Schedule of Average Daily Attendance

For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	1,726.81	1,732.35
Grades four through six	1,463.56	1,466.19
Grades seven and eight	1,094.21	1,094.97
Regular ADA Totals	4,284.58	4,293.51
Extended year special education:		
Grades TK/K through three	2.37	2.37
Grades four through six	1.50	1.50
Grades seven and eight	0.66	0.66
Special education - nonpublic and nonsectarian:		
Grades four through six	2.08	2.21
Grades seven and eight	0.94	0.95
Extended year special education - nonpublic and nonsectarian:		
Grades four through six	0.15	0.15
Grades seven and eight	0.09	0.09
ADA Totals	4,292.37	4,301.44

Los Altos School District
Schedule of Instructional Time Offered
For the Fiscal Year Ended June 30, 2018

Grade Level	Minutes Requirements	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	49,935	180	0	In compliance
Grades 1	50,400	51,675	180	0	In compliance
Grades 2	50,400	51,675	180	0	In compliance
Grades 3	50,400	55,155	180	0	In compliance
Grades 4	54,000	55,155	180	0	In compliance
Grades 5	54,000	55,155	180	0	In compliance
Grades 6	54,000	55,155	180	0	In compliance
Grades 7	54,000	56,391	180	0	In compliance
Grades 8	54,000	56,391	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.

Los Altos School District
Schedule of Financial Trends and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

	2019 (Budgeted[1])	2018	2017	2016
General Fund				
Revenues and other financial sources	$ 62,928,216	$ 63,518,402	$ 59,594,930	$ 60,088,062
Expenditures	63,434,322	65,841,723	60,948,102	56,443,717
Other uses and transfers (out)	-	27,304	274,067	1,325,000
Total outgo	63,434,322	65,869,027	61,222,169	57,768,717
Change in fund balance	$ (506,106)	$ (2,350,625)	$ (1,627,239)	$ 2,319,345
Beginning fund balance adjustment	$ -	$ -	$ -	$ -
Ending fund balance	$ 4,769,516	$ 5,275,622	$ 7,626,247	$ 9,253,486
Available reserves [2]	$ 4,380,305	$ 4,117,440	$ 3,957,816	$ 5,373,125
Available reserves as a percentage of total outgo	6.9%	6.3%	6.5%	9.5%
Total long-term liabilities	$ 136,648,337	$ 147,287,986	$ 129,596,379	$ 128,909,421
Average daily attendance at P2	4,309	4,292	4,379	4,533

Average daily attendance has decreased by 241 over the past three years. The district anticipates an increase of 17 ADA.

(1) Budget numbers are based on the first adopted budget of the fiscal year 2018/19, which is unaudited.

(2) Available reserves consists of all unassigned fund balances in the General Fund, which includes the reserve for economic uncertainties. For a district of this size, the State recommends available reserves of at least 3% of total outgo.

Los Altos School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
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	$ 729,164
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027 (1)	10115	13,223
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027 (1)	13682	61,897
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027 (1)	15197	51,179
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173 (1)	13430	19,500
IDEA Preschool Staff Development, Part B, Sec 619	84.173 (1)	13431	155
IDEA Alternate Dispute Resolution, Part B, Sec 611	84.173 (1)	13007	2,677
Total Special Education Cluster			877,795
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	75,853
NCLB: Title II, Teacher Quality Private School	84.367	15144	50,896
ESEA (ESSA): Title III, Immigrant Education Program	84.365	15146	35,394
ESEA (ESSA): Title III, English Learner Student Program	84.365	14346	62,486
TOTAL U. S. DEPARTMENT OF EDUCATION			1,102,424
TOTAL FEDERAL PROGRAMS			$ 1,102,424

(1) Audited as major program

There were no pass throughs to subrecipients during the year

Los Altos School District
Reconciliation of Annual Financial and Budget Report (SACS)
with Audited Financial Statements
For the Fiscal Year Ended June 30, 2018

	GENERAL FUND	BUILDING FUND	CAPITAL FACILITIES FUND	BOND INTEREST AND REDEMPTION FUND	OTHER [1] NONMAJOR GOVERNMENTAL FUNDS	CAPITAL ASSETS	LONG TERM LIABILITIES
JUNE 30, 2018 ANNUAL FINANCIAL AND BUDGET REPORT (SACS) FUND BALANCES, CAPITAL ASSETS & LONG TERM LIABILITIES	$ 2,029,670	$ 3,781,533	$ 1,160,018	$ 10,698,060	$ 3,900,867	$ 87,247,384	$ 71,140,895
ADJUSTMENTS AND RECLASSIFICATIONS:							
Special Reserve Fund for Other Than Capital Outlay:							
Cash with County Treasury	591,674	-	-	-	(591,674)	-	-
Accounts receivable	1,666	-	-	-	(1,666)	-	-
Special Reserve Fund for Postemployment Benefits:							
Cash with County Treasury	3,129,322	-	-	-	(3,129,322)	-	-
Accounts receivable	13,204	-	-	-	(13,204)	-	-
Accounts Payable Adjustment	(489,914)	-	-	-	-	-	-
Adjustments to beginning long-term liabilities for:							
Unamortized bond premium	-	-	-	-	-	-	6,894,365
Bond anticipation notes	-	-	-	-	-	-	7,500,000
Net pension liability	-	-	-	-	-	-	50,882,364
Net OPEB obligation	-	-	-	-	-	-	15,375,620
Unamortized bond premium	-	-	-	-	-	-	(1,149,061)
Bond anticipation notes	-	-	-	-	-	-	2,500,000
Net pension liability	-	-	-	-	-	-	9,313,630
Net OPEB obligation	-	-	-	-	-	-	(15,169,827)
JUNE 30, 2018 AUDITED FINANCIAL STATEMENTS FUND BALANCES, CAPITAL ASSETS & LONG TERM LIABILITIES	$ 5,275,622	$ 3,781,533	$ 1,160,018	$ 10,698,060	$ 165,001	$ 87,247,384	$ 147,287,986

[1] The audited fund balance includes the following fund(s):

Deferred maintenance fund	$ 165,001

Notes to State and Federal Award Compliance Section

Note 1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments in 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 Offered

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and 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 46200 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 reported on the SACS report to the audited financial statements.

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

There were no unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

Note 3. 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.

Note 4. 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.

Note 5. SUMMARY OF SIGNFICANT 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.

Chavan & Associates, LLP
Certified Public Accountants

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
Los Altos School District
Los Altos, 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 the Los Altos 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 November 20, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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.

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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

C & A LLP

November 20, 2018
San Jose, California

Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 CFR PART 200 (UNIFORM GUIDANCE)

Board of Trustees
Los Altos School District
Los Altos, California

Report on Compliance for Each Major Federal Program
We have audited Los Altos School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of 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 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 procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

November 20, 2018
San Jose, California

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
Los Altos School District
Los Altos, California

Compliance
We have audited the Los Altos 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	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
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 Court Schools	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

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	N/A
After School	N/A
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 for Charter Schools	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 the Independent Study and Independent Study-Course Based programs because the ADA was under the level that requires testing.

Opinion
In our opinion, Los Altos School 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.

C & A LLP

November 20, 2018
San Jose, California

Schedule of Findings and Questioned Costs

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?	____ Yes	X No
Non-compliance material to financial statements noted?	____ Yes	X 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)	____ Yes	X No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec 611
84.027	IDEA Local Assistance, Part B, Sec 611, Private School ISPs
84.027	IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)
84.027	IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611
84.173	IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)
84.173	IDEA Preschool Staff Development, Part B, Sec 619
84.173	IDEA Alternate Dispute Resolution, Part B, Sec 611

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?	____ Yes	X No
Type of auditor's report issued on compliance over state programs:	**Unmodified**	

Section II - Financial Statement Findings

None

Section III – Federal Awards Findings

None

Section IV – State Awards Findings

None

Schedule of Prior Year Findings and Recommendations

Section II - Financial Statement Findings

None

Section III – Federal Awards Findings

None

Section IV – State Awards Findings

None

APPENDIX D

FORMS OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT (SERIES A BONDS)

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Los Altos School District (the "District") in connection with the execution and delivery of $65,000,000 aggregate principal amount of the District's General Obligation Bonds (Election of 2014), Series A, comprised of $55,000,000 Series A-1 (Tax Exempt) and $10,000,000 Series A-2 (Federally Taxable) (together, the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on December 17, 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 and Barclays Capital Inc., as underwriters (the "Underwriters") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Assistant Superintendent, Business Services (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be the District.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"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 September 26, 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), commencing with the report for the fiscal year ending June 30, 2019, which is due no later than March 31, 2020, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send, in a timely manner, 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) Average daily attendance of the District for the last completed fiscal year;

(ii) Outstanding District indebtedness;

(iii) Tax delinquencies, to the extent the County terminates or discontinues the Teeter Plan within the District; and

(iv) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

(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;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District which reflect financial difficulties.

(b) The District shall give, or cause to be given 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, 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;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent; or

(viii) Incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(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) Notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to

update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriters 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: October 17, 2019

LOS ALTOS SCHOOL DISTRICT

By:_____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Los Altos School District

Name of Issue: $65,000,000 General Obligation Bonds (Election of 2014), Series A, comprised of $55,000,000 Series A-1 (Tax-Exempt) and $10,000,000 Series A-2 (Federally Taxable)

Date of Issuance: October 17, 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 October 17, 2019. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By:_____

CONTINUING DISCLOSURE AGREEMENT (2019 BOND ANTICIPATION NOTES)

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Los Altos School District (the "District") in connection with the execution and delivery of $79,000,000 aggregate principal amount of the District's 2019 General Obligation Bond Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on December 17, 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 Notes by the District and the purchase of such Notes by the Underwriters 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 Noteholders and in order to assist Raymond James & Associates and Barclays Capital Inc., as underwriters (the "Underwriters") 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.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Assistant Superintendent, Business Services (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be the District.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"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.

"Noteholder" or "Holder" means any holder of the Notes or any beneficial owner of the Notes so long as they are immobilized with DTC.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Notes have been assigned. The Final Official Statement relating to the Notes is dated September 26, 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), commencing with the report for the fiscal year ending June 30, 2019, which is due no later than March 31, 2020, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send, in a timely manner, 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) Average daily attendance of the District for the last completed fiscal year;

(ii) Outstanding District indebtedness;

(iii) Tax delinquencies, to the extent the County terminates or discontinues the Teeter Plan within the District; and

(iv) Summary financial information on revenues expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

(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 Notes 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;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District which reflect financial difficulties.

(b) The District shall give, or cause to be given 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 Notes, 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 Notes or other material events affecting the tax status of the Notes;

(ii) Modifications of rights to Noteholders;

(iii) Optional, unscheduled or contingent Note calls;

(iv) Release, substitution or sale of property securing repayment of the Notes;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent; or

(viii) Incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Noteholders.

(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) Notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes 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 Notes, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Notes.

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 Notes, 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 Notes.

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 Notes, 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 Noteholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Noteholder 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 Underwriters and Holders from time to time of the Notes, 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: October 17, 2019

LOS ALTOS SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Los Altos School District

Name of Issue: $79,000,000 2019 General Obligation Bond Anticipation Notes

Date of Issuance: October 17, 2019

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Notes as required by Section 4(a) of the Continuing Disclosure Agreement dated October 17, 2019. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By:_____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository).Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in San Francisco, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX F

COUNTY INVESTMENT POOL

The following information concerning the Santa Clara County Investment Pool (the "Investment Pool") has been provided by the Director of Finance (the "Director of Finance") of Santa Clara County (the "County"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriters. The District, the Municipal Advisor and the Underwriters have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Director of Finance, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriters make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Director of Finance at http://www.sccgov.org; however, the information presented on such website is not incorporated herein by any reference.

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4.8 - TREASURY INVESTMENT POLICY

4.8.1 Statement of Intent

The purpose of this document is to set forth the County of Santa Clara's policy applicable to the investment of short term surplus funds. In general, it is the policy of the County to invest public funds in a manner that will provide a competitive rate of return with maximum security while meeting the cash flow requirements of the County, school districts and special districts whose funds are held in the County Treasury, in accordance with all state laws and County ordinances governing the investment of public funds.

4.8.2 Scope

This investment policy applies to all financial assets held by the County. Those assets specifically included in this investment policy are accounted for in the County's Comprehensive Annual Financial Report and are included here as part of the County's Commingled Investment Pool.

4.8.3 Objectives

The following investment objectives shall be applied in the management of the County's funds.

(A) The foremost objective of the County's investment program shall be to safeguard principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

(B) The secondary objective shall be to meet the liquidity needs of its participants. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

(C) The third objective shall be to attain a market rate of return (yield) throughout budgetary and economic cycles, taking into account the County's investment constraints and cash flow characteristics. The core of investments will be limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Risk Mitigation

Those factors that can lead to an unexpected financial loss can be broadly grouped into the following categories; credit risk, liquidity risk, interest rate risk and operational risk. Credit risk is the possibility that a bond issuer will default or that the change in the credit quality of counter-party will affect the value of a security. Liquidity risk for a portfolio that does not market value its holdings on a daily basis is the risk that sufficient cash or cash equivalents are not available and a security may have to be sold at a loss (based on its original cost) in order to meet a payment liability. Interest rate risk is the risk that the value of a fixed income security or portfolio will fall as a result of an increase in interest rates. Operational risk refers to potential losses resulting from inadequate systems, management failure, faulty controls, fraud and human error.

It is part of this policy to pursue the listed actions below to reduce the risk of exposure to the County's investments.

Credit Risk

- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- Only purchasing securities that meet ratings standards specified in this policy.

- Conducting ongoing reviews as needed of all credit exposures within investment portfolios.
- Rating restrictions for all investments are denoted as requirements at time of purchase. If a security should incur a downgrade by either rating agency, placing the security on special surveillance to identify and monitor any continuing deterioration trends and, if warranted, selling the security.
- Reviewing the possible sale of a security whose credit quality is declining to minimize loss of principal.

Liquidity Risk

- To the extent possible, matching investment maturities with anticipated cash demands, also known as creating static liquidity. Alternatively, apply application software to analyze and validate that cash from investment activity is sufficient to cover all liabilities.
- Since all possible cash demands cannot be anticipated, maintaining portfolios largely of securities with active secondary or resale markets (dynamic liquidity).
- Making investments that could be appropriately held to maturity without compromising liquidity requirements.
- Prior to approving or disapproving a withdrawal request (a reduction of liquidity), the County Treasurer shall determine that the proposed withdrawal will not adversely affect the interests of the other depositors in the County pool.

Interest Rate Risk

- Not investing in securities maturing more than five years from the settlement date and limiting the weighted average maturity of the County's Commingled portfolio to two years or less.
- Limiting segregated investments to maturities of five years or less unless a longer term is specifically approved by the appropriate legislative body.
- Not investing in any funds in financial futures, option contracts, inverse floaters, range note or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.
- Ensuring that adequate resources are devoted to interest rate risk measurement.

Operational Risk

- Establishing a system of internal controls, which is designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County.
- Having an audit review to examine the system of internal controls to assure that established policies including risk management procedures are being complied with.

4.8.4 Standards of Care

(A) **Prudence.** The County Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the County Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that prudent person acting in a like capacity and familiar with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitations of this section and

considering individual investments as part of an overall investment strategy, the County Treasurer is authorized to acquire investments as authorized by law.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The County recognizes that no investment program is totally riskless and that the investment activities of the County are a matter of public record. Accordingly, the County recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that the portfolio is adequately diversified and that the sale of a security is in the best long-term interest of the County. Significant adverse credit changes or market price changes on County-owned securities shall be reported to the Board of Supervisors and the County Executive in a timely fashion.

(B) **Competitive Transactions.** Where practicable, each investment transaction shall be competitively transacted with brokers/dealers/banks approved by the County Treasurer.

(C) **Indemnification.** Investment officers acting in accordance with state laws, County ordinances, this policy and written procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development

(D) **Ethics and Conflicts of Interest.** County employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment personnel shall subordinate their personal investment transactions to those of the County, particularly with regard to the timing of purchases and sales.

County officers and employees involved with the investment process shall refrain from accepting gifts that would be reportable under the Fair Political Practices Commission (FPPC) regulations.

Members of the Treasury Oversight Committee shall not accept any honoraria, gifts or gratuities from advisors, brokers, dealers, bankers or other persons with whom the County Treasury conducts business that would be reportable or prohibited under the FPPC regulations.

4.8.5 Authorized Financial Dealers and Institutions

The County Treasurer shall establish an approved list of brokers, dealers, banks and direct issuers of commercial paper to provide investment services to the County. It shall be the policy of the County to conduct security transactions only with approved institutions and firms. To be eligible for authorization, firms that are commercial banks must be members of the FDIC, and broker/dealers:

- Preferably should be recognized as a Primary Dealer by the Market Reports Division of the Federal Reserve Bank of New York, and
- Must maintain a secondary position in the type of investment instruments purchased by the County.

In addition, the firm must also qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule). Approved broker/dealer representatives and the firms they represent shall be licensed to do business in the State of California.

The criteria for selecting security brokers and dealers from, to, or through whom the County Treasury may purchase or sell securities or other instruments, prohibits the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any member of the governing board of any local agency that is a participant in the County Treasury or any candidate for those offices.

No public deposit shall be made except in a qualified public depository as established by state law. An annual analysis of the financial condition and professional institution/bank rating will be conducted by the County Treasurer and reported to the County Treasury Oversight Committee. Information indicating a material reduction in ratings standards or a material loss or prospective loss of capital must be shared with the Board of Supervisors, the County Executive, and the Oversight Committee in writing immediately.

To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California communities, including low-and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code.

4.8.6 County Treasury Oversight Committee

A County Treasury Oversight Committee shall be established by the Board of Supervisors pursuant to Government Code Section 27130 et seq to advise the County Treasurer in the management and investment of the Santa Clara County Treasury. The Oversight Committee shall be comprised of six members representing the County, school districts and other local governments agencies whose funds are deposited in the County's commingled pool and other segregated investments. Members of the Oversight Committee will be nominated by the Treasurer and confirmed by the Board of Supervisors. The Committee is comprised of the following members:

1. County Director of Finance

2. County Executive appointed by the Board of Supervisors

3. Representative appointed by a majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County Treasury.

4. County Superintendent of Schools or his or her designee.

5. Representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County.

6. One member of the public that has expertise in and or an academic background in public finance.

Each member may designate an alternate to serve in the absence of the member. The alternate shall take the oath office and file a conflict of interest report with the Clerk of the Board. The alternate shall exercise the vote of the member at meetings where the member is not present.

It is the responsibility of the County Treasury Oversight Committee to approve the investment policy prepared annually by the County Treasurer, to review and monitor the quarterly investment reports prepared by the County Treasurer, to review depositories for County funds and broker/dealers and banks as approved by the County Treasurer, and to cause an annual audit to be conducted to determine the County Treasury's compliance with all relevant investment statutes and ordinances, and this investment policy. Any receipt of honoraria, gifts, and gratuities from advisors, brokers, and dealers, bankers or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee is limited to amounts that would not be prohibited by or reportable to the Fair Political Practices Commission. These limits may be in addition to the limits set by a committee member's own agency or by state law.

Nothing in this article shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

4.8.7 Eligible, Authorized and Suitable Investments

All investments shall conform with state law including but not limited to Government Code 53600 et seq. and any further restrictions imposed by this policy (Authorized Investments). Where this section specifies a percentage limitation for a particular category of investment or specific issuer, that percentage is applicable only at the date of purchase. If subsequent to purchase, portfolio percentage constraints are above the maximum thresholds due to changes in value of the portfolio or changes due to revisions of the policy, then affected securities may be held to maturity in order to avoid principal losses. However, the County Treasurer may choose to rebalance the portfolio if percentage imbalances are deemed to impair portfolio diversification.

If after purchase securities are downgraded below the minimum required rating level the securities shall be reviewed for possible sale within a reasonable amount of time after the downgrade. Significant down grades and the action to be taken will be disclosed in the Quarterly Investment Report.

U. S Treasury and Government Agencies

There shall be no limit in the amount that may be invested in debt obligations that are backed by the full faith and credit of the United States government. This includes but is not limited to U. S. Treasury bills, notes or bonds. However, this does not include Medium-Term Corporate Notes or Deposit Notes, as described below.

There shall be no limit in the amount that may be invested in Federal Agencies of the United States or United States government sponsored-enterprise obligations, participations, and bond issuances including those issued by or fully guaranteed as to principal and interest by federal agencies or the United States government.

Repurchase Agreements. A repurchase agreement consists of two simultaneous transactions under the same agreement. One is the purchase of securities by an investor (County Treasury) from a bank or dealer. The other is the commitment by the bank or dealer to repurchase the securities at a specified price and on a date mutually agreed upon.

Repurchase agreements shall be entered into only with dealers and financial institutions which have executed a Master Repurchase Agreement with the County and are recognized as primary dealers with the Market Reports Division of the Federal Reserve Bank of New York.

- The term of the repurchase agreement is limited to 92 days or less. The securities underlying the agreement may be obligations of the United States Government, its agencies, or agency mortgage backed securities. For repurchase agreements that exceed 15 days, the maturities on purchased securities may not exceed 5 years.

- The purchased securities shall have a minimum market value, including accrued interest, of 102 percent of the dollar value of the agreement. Purchased securities shall be held in the County's custodian bank as safekeeping agent, and the market value of the securities shall be marked-to-market on a daily basis.

Reverse Repurchase Agreements. A reverse repurchase agreement consists of two simultaneous transactions under the same agreement. One is the sale of securities by the County Treasury to a bank or dealer. The other is the commitment by the County Treasury to repurchase the securities at a specified price and on a date mutually agreed upon.

Reverse repurchase agreements may only be transacted with dealers and financial institutions which have executed a Master Repurchase Agreement with the County as approved by the Board of Supervisors, and which are Primary Dealers of the Federal Reserve Bank of New York. Reverse repurchase transactions must meet the following requirements:

- Sold securities must be owned and fully paid a minimum of 30 days prior to transaction.
- The total of all reverse repurchase and securities lending agreements cannot exceed 20% of the portfolio's base value.[1]
- The term of the reverse repurchase agreement is not to exceed 92 days unless the agreement includes a written codicil that guarantees a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
- Funds obtained through a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
- Reverse repurchase agreements may only be used to affect a “matched” transaction whereby the proceeds of the reverse are reinvested for approximately the same time period as the term of the reverse repurchase agreement.
- Reverse repurchase agreements may not exceed $90 million.
- Investments in reverse repurchase agreements in which Treasury sells securities prior to purchase with a simultaneous agreement to repurchase the security may only be made upon prior approval of the Board of Supervisors.

Reverse Repurchase Agreements will be used solely for the intent of accessing liquid funds on a temporary basis and will not be used as a means to amplify portfolio returns.

All other cost-effective means of obtaining liquidity will be considered prior to exercising this option.

In exception to the above, a trial transaction will be permitted on a periodic basis as emergency preparation to ensure that internal systems and staff members remain up-to-date on processing procedures. The amount of the trial transaction will not exceed pre-established limits set by the Treasurer.

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[1]Base value of the County's Pool refers to the dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or securities lending agreements.

Securities Lending. The mechanics behind a securities lending transaction consist of the County lending a security. The borrower, a financial institution, pledges collateral consisting of cash to secure the loan. Borrowers sometimes offer letters of credit as collateral. The lending agreement requires that the collateral must always exceed the market value of the security by 2%. Changes in the security's price during the term of the loan may require adjustments in the amount of collateral. The cash collateral obtained from the borrower is then invested in short-term assets for additional income. Also, the County is entitled to all coupon interest earned by the loaned security. At the end of the loan term, the transaction is unwound, the securities and collateral, which are held by a custodian bank, are returned to the original owners. The borrower is obliged to return the securities to the lender, either on demand from the County or at the end of any agreed term. Lending transactions must meet the following requirements:

- Loaned securities must be owned and fully paid a minimum of 30 days prior to transaction.
- The total of all reverse repurchase and securities lending agreements cannot exceed 20% of the portfolio's base value.
- The term of the securities lending agreement is not to exceed 92 days.
- Funds obtained through a securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the securities lending agreement.
- The objective of the transaction is to produce positive earnings.

To qualify as a counter-party to the County in a securities lending transaction, the broker/dealer must be recognized as a Primary Dealer by the Federal Reserve Bank and the County's custodial bank must indemnify the County against losses related to the broker-dealer.

Non-negotiable Time Deposits (CDs) that are FDIC Insured and Collateralized Time Deposits. Time deposits with banks or savings and loan associations shall be subject to the limitations imposed by the Government Code, as amended, and additional constraints prepared by the County Treasurer that would limit amounts to be placed with institutions based on creditworthiness, size, market conditions and other investment considerations.

Negotiable Certificates of Deposit. The bank issuing a negotiable certificate of deposit with a maturity of one year or less, must reflect the following or higher ratings from at least two of these *nationally recognized statistical rating organizations* (NRSRO's): Moody's (P1), Standard and Poor's (A1), and Fitch (F1). Certificates that exceed one year, must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (Aa3), Standard and Poor's (AA-), and Fitch (AA-). Negotiable certificates of deposit shall not exceed 30% of the surplus funds of the portfolio. No more than 5% of the portfolio shall be in a single bank.

Bankers' Acceptances. Investments in eligible bankers' acceptances of United States or foreign banks shall not exceed 180 days maturity from the date of purchase. This debt must reflect the following or higher ratings by at least two of these NRSRO's: Moody's (P1), Standard and Poor's (A1), and Fitch (F1). Bankers' Acceptances shall not exceed 40% of surplus funds. No more than 5% of the portfolio shall be invested in a single commercial bank.

Commercial Paper. Investments in commercial paper shall not have a maturity that exceeds 270 days. Commercial paper must reflect the following or higher ratings by at least two of these NRSRO's: Moody's (P1), Standard and Poor's (A1), and Fitch (F1). The issuer must meet the qualifications as indicated below pursuant to California Government Code:

If the commercial paper is short-term unsecured promissory notes issued by financial institutions or corporations, the issuer must:

- Be organized and operating in the United States as a general corporation;
- Have total assets in excess of five hundred million dollars ($500,000,000); and
- If the issuer has senior debt outstanding, the senior debt must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3) Standard and Poor's (A-) and Fitch (A-)

If the commercial paper is asset backed, the issuer must:

- Be organized within the United States as a special purpose corporation, trust, or limited liability company; and
- Have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit or surety bonds and include a liquidity vehicle.

Commercial paper shall not exceed 40% of the local agency's funds. No more than 5% of the portfolio shall be invested in any single issuer of commercial paper.

Medium Term Corporate Notes or Deposit Notes. The purchase of corporate notes shall be limited to securities that reflect the following ratings or higher by at least two of these NRSRO's: Moody's, (Aa3), Standard and Poor's (AA-), and Fitch (AA-). Medium term corporate notes or deposit notes (five years or less) shall be limited to 30% of surplus funds. No more than 5% of the portfolio shall be invested in any single corporation including those issuers whose debt is fully guaranteed as to principal and/or interest by federal agencies or the United States government.

Local Agency California Investment Fund (LAIF)

Funds may be invested in LAIF, a State of California managed investment pool up to the maximum dollar amounts in conformance with the account balance limits authorized by the State Treasurer.

Municipal Obligations. The purchase of municipal obligations shall include the following:

(A) **Treasury notes or bonds of the state of California**, including other obligations such as registered state warrants, certificates of participation, lease revenue bonds and 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.

(B) **Bonds, notes, warrants, certificates of participation, lease revenue bonds or other evidences of indebtedness of any local agency within this state**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(C) **Registered treasury notes or bonds of any of the other 49 United States in addition to California**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

For those instruments that are rated, long term obligations must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-). Short term obligations must carry the following ratings or higher by at least one of these NRSRO's: Moody's (MIG-1), Standard and Poor's (SP-l), and Fitch (F-l). No more than 10% of surplus funds shall be in such obligations.

Money Market Funds. Companies issuing such money market funds must have assets under management in excess of $500,000,000. The advisors must be registered with the Securities and Exchange Commission (SEC) and have at least five years' experience investing in such types of investments. The fund must reflect the highest rating by at least two of these NRSRO's: Moody's (Aaa), Standard and Poor's (AAA), and Fitch (AAA). No more than 20% of the Treasury's funds may be invested in money market funds and no more than 10% of the Treasury's funds may be invested in one money market fund. If the money market fund is tax-exempt then only one "AAA" rating by an NRSRO is required. The money market fund must also be "no-load", which is a fund that does not compensate sales intermediaries with a sales charge or commission that is deducted from the return of the fund.

Asset Backed Securities. Asset backed securities (ABS) are notes or bonds secured or collateralized by pools of loans such as installment loans or receivables.

- Securities shall be issued by an issuer whose debt must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-).
- The asset backed security itself must reflect the following ratings or higher from at least two of these NRSRO's: Moody's (AA-), Standard and Poor's (Aa3) and Fitch (AA-).
- Asset backed securities together with mortgage backed securities may not exceed 20% of the Treasury's surplus money.

Agency Mortgage Backed Securities. Mortgage backed securities (MBS) are-collateralized by pools of conforming mortgage loans or multi-family mortgage loans insured by FHLMC or FNMA and or guaranteed by FHA (GNMA).

- Agency mortgage backed securities together with asset backed securities may not exceed 20% of the Treasury's surplus money.

Supranational Debt Obligations

United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development of the World Bank (IBRD) or the Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments must be rated "AAA" or better by at least two of the following, NRSRO's, Moody's, Standard and Poor's or Fitch and shall not exceed ten percent, in aggregate, of the Treasury's surplus funds.

General Parameters

Socially Responsible Investments

Whenever possible, in addition to and subordinate to the objectives set forth in section 4.8.3 herein, it is the County's policy to create a positive impact by investing in socially responsible corporations and agencies as defined by priorities set by the Board of Supervisors.

Ineligible Investments

Ineligible investments include common stock, inverse floaters, range notes, mortgage-derived interest only strips and any security that could result in zero interest accrual if held to maturity or any security that does not pay (cash or earn accrued) interest in one year or at least semi-annually in subsequent years and any investment not authorized by this policy unless otherwise allowed by law and approved by the Board of Supervisors.

Combined Issuer/Institutional limits.

No more than 5% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers Acceptances, Commercial paper, Negotiable Certificates of Deposit, and Corporate Notes.

Swaps

Investments will be reviewed for the possibility of a swap to enhance yield when both securities have a similar duration so as not to affect the cash flow needs of the program. Swaps should have a minimum of five basis points before being transacted.

4.8.8 Maximum Maturity

The County Investment portfolio shall be structured to provide that sufficient funds from investments are available to meet the anticipated cash needs of the depositors in the County' commingled investment pool. The choice of investment instruments and maturities shall be based on an analysis of depositors cash needs, existing and anticipated revenues, interest rate trends and specific market opportunities. The average weighted maturity of the portfolio will not exceed two years and investments will have a maturity of no more than five years from the settlement date unless specifically approved by the Board of Supervisors to the provisions set forth elsewhere in this policy.

4.8.9 Segregated Investments (excludes Commingled Funds)

Segregated investments of instruments permitted in Government Code Section 53601 can be made upon proper authorization where cash flow or other factors warrant segregation from the commingled pool. Examples that may justify such segregation are bond or note proceeds, Retiree Health funds or Workers Compensation funds where longer term or matching term investments are warranted.

For segregated investment funds, no investment shall be made that could not appropriately be held to maturity without compromising liquidity requirements.

Segregated investments shall be limited to five years maturity unless a longer term is specifically approved by the appropriate legislative body.

Government Code Sections 53620 and 53622 grant the County authority to invest the assets of the Santa Clara County Retiree Health Trust in any form or type of investment deemed prudent by the governing body. Accordingly, the County Board of Supervisors has determined that up to 67 percent of the Trust's assets, excluding near-term liability payouts, may be invested in equities through mutual funds or through the direct purchase of common stocks by a money management firm(s) approved by the Board of Supervisors.

In accordance with the prudent person standard in Government Code Sections 53620 through 53622, the assets of the Santa Clara County Retiree Health Trust may be invested in bonds that have a final maturity of 30 years or less from purchase date, and in bonds that reflect the following ratings or higher from at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-).

4.8.10 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in the name of the County by a custodian designated by the County Treasurer and evidenced by trade confirmations and safekeeping holdings reports.

The County Treasurer will approve certain financial institutions on an annual basis to provide safekeeping and custodial services for the County. Custodian banks shall be selected on the basis of their ability to provide service to the County's account and the competitive pricing of their safekeeping related services. All securities purchased by the County under this section shall be properly designated as an asset of the County and held in safekeeping by a custodial bank chartered by the United States Government or the State of California.

The County will execute custodial agreement(s) with its bank(s). Such agreements will outline the responsibilities of each party for the notification of security purchases and sales, address wire transfers as well as safekeeping and transaction costs, and provide details on procedures in case of wire failures or other unforeseen mishaps along with the liability of each party.

To be eligible for designation as the County's safekeeping and custodian agent, a financial institution shall meet the following criteria:

- Have a Moody's rating of P-1 or Standard and Poor's rating of - A1 for the most recent reporting quarter before the time of selection.
- Qualify as a depository of public funds in the State of California as defined in Government Code Section 53638.

The County Treasurer shall require each approved custodial bank to submit a copy of its Consolidated Report of Condition and Income (Call Report) to the County within forty-five days after the end of each calendar quarter.

It is the intent of the County to mitigate custodial credit risk by insuring that all securities are appropriately held.

Securities typically clear and settle as electronic book entries through the following clearinghouses: (1) the Depository Trust Corp. (DTC), a member of the Federal Reserve Bank; or (2) the Fed Book-Entry System, owned by the Federal Reserve. Governments generally do not have their own account in the Fed Book-Entry System or at DTC, but have access to those systems through large financial institutions who are members and participants. The County's securities within the clearing system are held under the Custodial Bank's name. The Custodial Bank's internal records identify the County as the underlying beneficial owner of securities.

Infrequently, physical certificates are used to reflect ownership of a security. When physical securities are received by the Custodial Bank, they are sent to a transfer agent to be registered into the Custodial Bank's nominee name. It is kept in the bank's vault until redeemed or sold. The Custodial Bank records identify the County as the underlying beneficial owner and include the securities on the County's Safekeeping report.

4.8.11 Internal Controls and Accounting

The County shall establish a system of internal controls, which is designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County.

The County maintains its records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the County in accordance with Generally Accepted Accounting Principles as promulgated by the Government Accounting Standards Board.

The County shall establish a process for an annual review by either the County's internal or external auditor. This review will examine the system of internal controls to assure that the established policies and procedures are being complied with and many result in recommendations to change operating procedures to improve internal control.

4.8.12 Reporting

(A) Methods.

(i) The County Treasurer shall prepare an investment report quarterly, including a management summary that provides a clear status of the current investment portfolio, quarterly transactions, investment philosophy and market actions and trends. The management summary will be prepared in a manner which will allow the County to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Board of Supervisors, the County Executive, the County Treasury Oversight Committee, Internal Auditor, and local agencies with funds on deposit in the County pool. The report will include the following:

- A listing of individual securities by type of investment and maturity held at the end of the reporting period.
- A composite of transactions purchased during the reporting period by type of security.
- Unrealized gains or losses resulting from appreciation or depreciation of securities held in the portfolio, by listing the cost of market value of securities.
- Average weighted yield to maturity of the portfolio and benchmark comparisons.
- Weighted average maturity of the portfolio.
- A summary of purchases during the reporting period by broker/dealers or banks showing the purchase date, issuing agency, amount purchased, cost and purchase date.
- A statement denoting the ability of the County to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may not, be available.

(ii) The County Treasurer shall prepare a monthly report with a brief summary of the investment report and a listing of the transactions conducted during the month. The report will be provided to the Board of Supervisors, Treasury Oversight Committee and the local agencies with funds on deposit in the County Pool.

Material deviations from projected budgetary investment results shall be reported no less frequently than quarterly to the Board of Supervisors and the County Executive.

(B) Performance Standards.

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates, taking into account the County's investment risk constraints and cash flow needs.

The basis for measurement used to determine whether market yields/rate of return are being achieved shall be the State Treasurer's Local Agency Investment Fund (LAIF). It should be recognized, however, that since the investment parameters of LAIF are broader than the County's investment

policies, the returns realized by the County cannot necessarily be expected to exceed the returns realized by LAIF on a regular basis.

(C) The County utilizes the following methods to pay for banking services and County administration of the investment function:

General Banking Services. General banking services such as safekeeping, items deposited, statements, account maintenance, etc., may be paid to the bank through direct payment or a combination of direct payment and compensating balance.

Investment and Banking Administration Costs. The County recovers staffing and other costs relating to the County's administration services for banking and investment functions provided to the County Treasury. The administrative costs are allocated against the earnings of the County pool prior to apportionment of earnings.

Earnings Apportionment. Earnings of the County pool are apportioned quarterly to all participants of the pool based on the average daily balance of each fund during the quarter.

Realized capital gains (the gain from securities sold at a higher price compared to cost) are added to quarterly earnings. Realized capital losses (the loss from securities sold at a lower price compared to cost) reduce quarterly earnings. To the extent that a realized capital loss exceeds the quarterly aggregate earnings of the Pool, the loss will be shared across all funds. The size of the write-down for any individual fund balance will be based on the average daily balance of each fund during the quarter in which the loss occurred.

Any apportioned earnings may not be available for withdrawal until all monies that have been earned (i.e., accrued) have actually been received by the County Treasurer.

4.8.13 Investment Policy Adoption

Pursuant to Government Code section 27133 the County Treasurer annually prepares an investment policy that is reviewed, monitored and approved by the County Treasury Oversight Committee. Any changes must be approved by the Board of Supervisors. Copies of the approved investment policy shall be circulated annually to
local agencies with funds on deposit in the County pool.

4.8.14 Voluntary Participants

The County provides the opportunity for local agencies to deposit excess funds within the County's Commingled Pool-pursuant to Government Code section 53684. In order to participate, voluntary participants must sign the County's Disclosure and Agreement for Voluntary Deposits which outlines the terms and conditions of participation, including constraints on deposits and withdrawals from the pool. Voluntary participants must also submit a resolution duly adopted by its governing board authorizing the deposit of funds into the Investment Pool.

It is the County's policy to not allow access to the pool unless the voluntary participant agrees to a long-term relationship utilizing the pool and County Treasury for its primary banking needs. The County does not wish to enter into relationships where an entity is placing funds because yields for a time may be higher than what is available at other organizations, because such activity can have an adverse and unfair impact on the other participants. Upon approval of the Treasurer, accommodations may be made to utilize the County resources to

make specific investments or manage segregated funds for a voluntary participant at an agreed cost.

4.8.14.1 Temporary Loans to Pool Participants

Various public entities maintain funds on deposit with the County Treasury. From time to time, these public entities experience cash flow problems. Allowing these entities to temporarily borrow from the commingled investment pool is an alternative way to address their short-term cash flow problems. In order to ensure that these temporary loans comply with all legal requirements and investment pool objectives, no such transfers shall be made unless all of the following requirements are met:

- Because the commingled investment pool consists of deposits from both restricted and unrestricted sources, all transfers shall comply with all requirements of Government Code Sections 53601, 53840, 53841 and 53842, including the requirements that they be legally characterized as loans and formalized with "evidences of indebtedness," and meet maturity and security criteria.
- All transfers shall comply with Article XVI, Section 6 of the California Constitution, including the limitations on borrowing amounts and loan periods
- No transfers shall be made during any fiscal year unless the Board of Supervisors has adopted a resolution authorizing transfers for that fiscal year. (Cal. Constitution Article XVI, Section 6; Government Code Section 25252.)
- Any inter-fund transfers between school district and community college accounts shall be formally approved by the district's governing board and shall comply with all other requirements of Education Code Sections 42603, 42620 and 85220, including requirements regarding repayment, sufficient income, and maximum transfer amounts.
- No transfer may occur until the fund needing the transfer meets the revenue sufficiency test, consistent with state law and County investment pool investment-risk constraints, established by the Director of Finance to ensure repayment.
- Direct borrowing from the pool should be a last resort funding alternative. Pool participants will be encouraged to use all available internal sources for cash flow needs through inter-fund borrowing between the participant's various funds.

The Director of Finance shall do all of the following:

- Proactively monitor fund balances.
- Establish early warning triggers to identify those funds most likely to incur an overdraft and require a transfer.
- Establish a revenue sufficiency test for the purpose of assessing repayment ability.
- Place tax apportionments assigned to an overdrawn fund in a lock box sequestered for credit to the investment pool.
- Establish and monitor investment pool exposure limits.
- Monitor funds to ensure that loans meet dry period (last Monday in April through June 30 of the fiscal year) financing restrictions.
- Restrict certain individual funds (e.g., bond reserve funds) from use as a borrowing source in inter-fund borrowing across funds held by pool participant.
- Establish a hierarchy of associated funds owned by each pool participant to be used as alternative funding sources in the event any of the participant's funds needs a loan.

- Implement accounting procedures that either manually or automatically transfer funds from one fund to another based on preset rules.
- Report within the Quarterly Investment listing all loans extended by the investment pool to participants.

The County's external financial auditor shall regularly review all of the practices and procedures in this Section to ensure compliance with all legal requirements.

4.8.15 Withdrawal of Funds by Voluntary Participants

Public entities that are voluntary participants in the County pool who wish to make withdrawals for the purpose of investing outside of the County pool may request such withdrawals in accordance with the County Investment Management Agreement.

The County Treasurer will assess the proposed withdrawal on the stability and predictability of the investments in the County pool. Prior to approving or disapproving a withdrawal request, the County Treasurer shall determine that the proposed withdrawal will not adversely affect the interests of the other depositors in the County pool. Funds are withdrawn based on the market value.

4.8.16 Warranties

All depositors acknowledge that funds deposited in the Investment Pool are subject to market/investment risk, and that the County Treasurer makes no warranties regarding Investment Pool performance, including but not limited to preservation of capital or rate of return earned on funds deposited in the Investment Pool. Depositors knowingly accept these risks and waive any claims or causes of action against the County Treasurer, the County, and any employee, official or agent of the County for loss, damage or any other injury related to the Depositors' funds in the Investment Pool, with the exception of loss, damage or injury caused solely by the County Treasurer's material failure to comply with the County Investment Policy and all applicable laws and regulations.