

NEW ISSUE – BOOK ENTRY ONLY

RATINGS: Bonds: S&P: “__”
Moody’s: “__”
Notes: S&P: “__”
Moody’s: “__”

(See “RATINGS” herein.)

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

\$70,000,000*

**LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
GENERAL OBLIGATION BONDS
(ELECTION OF 2014),
SERIES A (TAX EXEMPT)**

\$80,000,000*

**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), Series A (Tax-Exempt) (the “Bonds”), in the aggregate principal amount of \$70,000,000, 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 construction, modernization and equipping of District sites and facilities, including the defeasance of the Prior Notes (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 \$80,000,000* were authorized pursuant to the Authorization 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 August 1, 2019. 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 the Santa Clara County Treasurer-Tax Collector, 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 “THE BONDS – Book-Entry Only System.”

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, 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 Maturity Value of 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 Underwriter 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 Underwriter by _____. 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 _____, 2019.

[UNDERWRITER’S LOGO]

The Date of this Official Statement is: _____, 2019

* Preliminary; subject to change.

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

MATURITY SCHEDULE

\$70,000,000*

**LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)**

**GENERAL OBLIGATION BONDS (ELECTION OF 2014),
SERIES A (TAX EXEMPT)**

Base CUSIP[†]: _____

\$ _____ Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u> <u>Suffix</u>
--	---	--	---------------------	---

\$ _____ % Term Bonds due August 1, 20__ Yield _____ % CUSIP[†] Suffix: ____

\$ _____ % Term Bonds due August 1, 20__ Yield _____ % CUSIP[†] Suffix: ____

* Preliminary, subject to change.

[†] 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

\$80,000,000*

LOS ALTOS SCHOOL DISTRICT

2019 GENERAL OBLIGATION BONDS ANTICIPATION NOTES (FEDERALLY TAXABLE)

\$ _____ % Bond Anticipation Notes due August 1, 20__ Yield _____ % CUSIP[†] Suffix: _____

* Preliminary, subject to change.

[†] 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 Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or 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 Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or other at prices lower or higher than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The District maintains a website. However, the information presented on the 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*
Steve Taglio, *Member*

District Administrators

Jeffrey Baier, *Superintendent*
Sandra McGonagle, *Assistant Superintendent, Curriculum & Instruction*
Randall A. Kenyon, *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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\$70,000,000*
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
GENERAL OBLIGATION BONDS
(ELECTION OF 2014),
SERIES A (TAX EXEMPT)

\$80,000,000*
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 \$70,000,000* aggregate principal amount of its General Obligation Bonds (Election of 2014), Series A (Tax Exempt) (the “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, \$80,000,000* principal amount of general obligation bonds will remain for issuance pursuant to the Authorization.

The District also proposes to issue \$80,000,000* 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 enrollment in the District for 2017-18 was 4,400 students and the enrollment for the District for 2018-19 is 4,240 students. The District has a 2018-19 secured assessed valuation of \$23,933,720,789. The audited financial statements for the District for the fiscal year ended June 30, 2017 are attached hereto as APPENDIX C. . See “THE DISTRICT” and “TAX BASE FOR REPAYMENT OF BONDS” 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.

* Preliminary; subject to change.

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, including the defeasance (effecting a refunding, on a current basis) of certain of the outstanding 2016 Bond Anticipation Notes, currently outstanding 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 is expected to adopt a resolution pursuant to Section 15140(b) of the State Education Code on January 15, 2019 that will authorize 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 certain provisions of the State of California Education Code 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 “SECURITY FOR THE BONDS” 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, 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, 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, 20__* 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 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, such 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 AGREEMENTS” 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 _____, 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 XIII A of the State Constitution and pursuant to a resolution adopted by the Board on December 17, 2018 (the “Bond Resolution”). The County is expected to adopt a resolution pursuant to Section 15140(b) of the State Education Code on January 15, 2019 that will authorize 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, \$80,000,000* of the Authorization will remain.

* Preliminary; subject to change
* Preliminary, subject to change.

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 XIII A 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 XIII A 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.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. 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 "BOOK-ENTRY ONLY SYSTEM" herein.

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Annual Debt Service

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

<u>Period Ending (August 1)</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment</u> ⁽¹⁾	<u>Total Debt Service</u>
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
Totals			

⁽¹⁾ Interest payments will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2019.

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, 20__ are not subject to redemption. The Bonds maturing on or after August 1, 20__ 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, 20__, 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 Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, 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 Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date <u>(August 1)</u>	Principal Amount <u>to be Redeemed</u>
Total	
(1) Maturity.	

In the event that a portion of the Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced

* Preliminary, subject to change.

proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such 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 to be 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 issued any general obligation bonds under the Authorization. The Notes do not count against the Authorization, but any general obligation bonds issued to pay the Notes will count against the Authorization. The District may issue the Notes in a principal amount not exceeding the principal amount of remaining Authorization. Following the issuance of the Bonds, \$80,000,000* of the Authorization will remain, taking into consideration payment of the Prior Notes with proceeds of the Bonds.

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* Preliminary, subject to change.

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, and/or State grants. The District has covenanted in the Note Resolution that, not later than 30 days prior to the Maturity Date, 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 2018-19, the District’s gross bonding capacity is approximately \$301.239 million. See “TAX BASE OF THE DISTRICT – Assessed Valuation” herein. The District’s outstanding bonded debt as of December 1, 2018 was \$50.665 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 \$180.574 million.* In the event that assessed valuation decreases on or before the Maturity Date 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.

*Preliminary; subject to change.

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 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. 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 7.69%. 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 Maturity Value of the Notes on the Maturity Date. Alternatively, the District is permitted to pay the Maturity Value of 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 XIII A 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 XIII A 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 AFFECTING DISTRICT REVENUES” 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 \$60 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 statutes 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 Act, which prescribes the sources of repayment thereof and the maximum term of the Notes. Under the 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 Resolution, the District has covenanted to deliver Bonds, Renewal Notes, certificates of participation, or a combination thereof, in an amount sufficient to pay the Maturity Value of the Notes. The Notes will mature on the Maturity Date, and as such could be renewed for an additional two years pursuant to the 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, 20__*. 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 August 1, 2019. 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 \$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, 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).

* Preliminary; subject to change.

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 to be 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, 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 Notes or portions thereof, all as provided in the Note Resolution, then such Notes 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.

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, the Underwriter and the Municipal Advisor take 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 or the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds or the Notes, or (c) redemption 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 "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Notes. The Bonds and the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and the Notes, as applicable, in the aggregate principal amount of such issue, 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 Bonds 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 Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds or Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of

ownership interests in the Bonds or the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds or Notes, except in the event that use of the book-entry system for the Bonds or Notes is discontinued.

To facilitate subsequent transfers, all Bonds or Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds or Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds or Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds or Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds or Notes 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 or Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds or Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds or Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 or Notes at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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 or Notes, the following provisions will govern the payment, transfer and exchange of the Bonds or Notes.

Any Bond may, in accordance with its terms, be transferred, upon the registration books, by the Beneficial Owner thereof, in person or by the duly authorized attorney of such Beneficial Owner, upon surrender of such Bond at the principal office of the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. The Paying Agent may require the payment by any Beneficial Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond, Bonds, Note, or Notes shall be surrendered for transfer, the designated District officials will execute and the Paying Agent will authenticate and deliver, a new Bond, Bonds, Note, or Notes, as applicable, for a like aggregate principal amount.

Bonds or Notes may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds or Notes of authorized denominations and of the same maturity. The Paying Agent may require the payment by the Beneficial Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No transfers or exchanges of Bonds or Notes will be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds or Notes for redemption or (b) with respect to a Bond or Note after such Bond or Note has been selected for redemption.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," or "Holders" of the Bonds (other than under the caption "TAX MATTERS" herein and in "APPENDIX B" and "APPENDIX C" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

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ESTIMATED SOURCES AND USES OF FUNDS

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

<i>Sources of Funds</i>	<u>Bonds</u>	<u>Notes</u>	<u>Other Funds</u>
Principal Amount of Bonds or Notes			
Original Issue Premium			
Other District Funds ⁽¹⁾			
Total Sources			
<i>Uses of Funds</i>			
Building Fund			
Discharge of Prior Notes ⁽¹⁾			
Costs of Issuance ⁽²⁾			
Total Uses			

-
- (1) Available funds of the District (other than the proceeds of indebtedness) will be used to cash defease to maturity the Subseries B Note, which is not subject to early optional redemption. In addition, proceeds of the Subseries C Prior Note will be used to acquire the Tenth School Site. See "PLAN OF FINANCING AND REFINANCING."
 - (2) Payment of Underwriter's 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, comprising 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”), and giving effect to the refunding of the Prior Notes:

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
2019	\$4,708,650	\$6,879,900			
2020	4,908,900	7,153,900			
2021	5,114,400	7,444,400			
2022	5,331,000	2,815,200			
2023	391,400	--			
2024	--	--			
2025	--	--			
2026	--	--			
2027	--	--			
2028	--	--			
2029	--	--			
2030	--	--			
2031	--	--			
2032	--	--			
2033	--	--			
2034	--	--			
2035	--	--			
2036	--	--			
2037	--	--			
2038	--	--			
2039	--	--			
2040	--	--			
2041	--	--			
2042	--	--			
2043	--	--			
2044	--	--			
2045	--	--			
2046	--	--			
2047	--	--			
2048	--	--			
2049	--	--			
Total					

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) defease all of its outstanding Prior Notes, (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 Bonds to U.S. Bank National Association, as paying agent for the Prior Notes (“Prior Note Paying Agent”), to be applied to the redemption of the Subseries A and Subseries C Prior Notes on or about _____, 2019* and (ii) other available District funds to the Prior Note Paying Agent, to be applied to the payment at maturity of the Subseries B Prior Notes on August 1, 2019*, each at a redemption price of the par amount of the Prior Notes plus accrued interest to the date of redemption or maturity, as applicable.

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 \$_____ of the proceeds of the 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 joint use recreational facilities (“Tenth School Site”), expected to close escrow in the first quarter of 2019.

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 approximately \$_____ of the proceeds of the Notes will finance the acquisition of the Tenth School Site. The District has entered into letters of intent with several developers to transfer 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 occur as early as the fourth quarter of 2019, 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 optionally 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 2018 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

* Preliminary; subject to change.

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 XIII A 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 2018-19, including the annual percent change. Total assessed valuation of property within the District was \$24,099,154,471 in fiscal year 2018-19.

**LOS ALTOS SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2009-10 Through 2015-16**

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

Source: California Municipal Statistics, Inc.

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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 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

LOS ALTOS SCHOOL DISTRICT 2018-19 Per Parcel Assessed Valuation of Single Family Homes⁽¹⁾

	No. of <u>Parcels</u>	2018-19 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	11,854	\$19,510,323,857	\$1,645,885	\$1,344,040

2018-19 <u>Assessed Valuation</u>	No. of <u>Parcels (1)</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$199,999	1,469	12.392%	12.392%	\$ 199,602,323	1.023%	1.023%
\$200,000 - \$399,999	878	7.407	19.799	250,478,470	1.284	2.307
\$400,000 - \$599,999	723	6.099	25.898	361,546,543	1.853	4.160
\$600,000 - \$799,999	872	7.356	33.255	613,522,052	3.145	7.305
\$800,000 - \$999,999	816	6.884	40.138	732,238,944	3.753	11.058
\$1,00,000 - \$1,199,999	713	6.015	46.153	784,762,013	4.022	15.080
\$1,200,000 - \$1,399,999	636	5.365	51.518	825,486,644	4.231	19.311
\$1,400,000 - \$1,599,999	628	5.298	56.816	943,887,593	4.838	24.149
\$1,600,000 - \$1,799,999	666	5.618	62.435	1,132,961,443	5.807	29.956
\$1,800,000 - \$1,999,999	661	5.576	68.011	1,256,946,839	6.442	36.398
\$2,000,000 - \$2,199,999	539	4.547	72.558	1,129,760,985	5.791	42.189
\$2,200,000 - \$2,399,999	442	3.729	76.286	1,016,368,849	5.209	47.398
\$2,400,000 - \$2,599,999	440	3.712	79.998	1,097,907,590	5.627	53.026
\$2,600,000 - \$2,799,999	406	3.425	83.423	1,095,411,396	5.615	58.640
\$2,800,000 - \$2,999,999	332	2.801	86.224	960,637,354	4.924	63.564
\$3,000,000 - \$3,199,999	253	2.134	88.358	781,681,772	4.007	67.570
\$3,200,000 - \$3,399,999	219	1.847	90.206	723,174,089	3.707	71.277
\$3,400,000 - \$3,599,999	193	1.628	91.834	675,492,888	3.462	74.739
\$3,600,000 - \$3,799,999	145	1.223	93.057	535,788,989	2.746	77.485
\$3,800,000 - \$3,999,999	124	1.046	94.103	481,993,532	2.470	79.956
\$4,000,000 and greater	<u>699</u>	<u>5.897</u>	100.000	<u>3,910,673,549</u>	<u>20.044</u>	100.000
Total	11,854	100.000%		\$19,510,323,857	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 2018-19 assessed valuation within the District by land use.

**LOS ALTOS SCHOOL DISTRICT
2018-19 Assessed Valuation and Parcels by Land Use**

<u>Non-Residential:</u>	2018-19 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Agricultural/Rural	\$ 36,965,585	0.15%	35	0.23%
Commercial/Office	1,828,127,057	7.64	575	3.85
Industrial	949,740	0.00	5	0.03
Recreational	21,013,245	0.09	5	0.03
Government/Social/Institutional	36,768,213	0.15	60	0.40
Miscellaneous	<u>17,296,382</u>	<u>0.07</u>	<u>52</u>	<u>0.35</u>
Subtotal Non-Residential	\$1,941,120,222	8.11%	732	4.90%
 <u>Residential:</u>				
Single Family Residence	\$19,510,323,857	81.52%	11,854	79.31%
Condominium/Townhouse	1,447,865,752	6.05	1,969	13.17
2-4 Residential Units	58,972,558	0.25	77	0.52
5+ Residential Units/Apartments	<u>773,765,467</u>	<u>3.23</u>	<u>112</u>	<u>0.75</u>
Subtotal Residential	\$21,790,927,634	91.05%	14,012	93.74%
 Vacant Parcels	 \$201,672,933	 0.84%	 203	 1.36%
 Total	 \$23,933,720,789	 100.00%	 14,947	 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.

**LOS ALTOS SCHOOL DISTRICT
2018-19 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	Assessed Valuation <u>in School District</u>	% of <u>School District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in School District</u>
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	<u>2,188,840,420</u>	<u>9.08</u>	\$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 2018-19.

**LOS ALTOS SCHOOL DISTRICT
2018-19 Largest Total Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	MGP IX Sac II Properties LLC	Office Building & Shopping Center	\$ 342,304,824	1.43%
2.	MGP IX CP Venture LLC	Apartments	161,198,592	0.67
3.	MV Domus Apartments LLC	Apartments	133,535,140	0.56
4.	San Antonio Apartments LLC	Apartments	105,065,564	0.44
5.	San Antonio Center II LLC	Shopping Center	68,170,680	0.28
6.	RLJ R Los Altos LP	Shopping Center	66,974,637	0.28
7.	BP West El Camino LLC	Office Building	65,650,126	0.27
8.	Avalonbay Communities, Inc.	Apartments	65,010,218	0.27
9.	Los Altos Gardens I & II LP	Apartments	55,487,741	0.23
10.	St. Paul Fire & Marine Insurance Company	Shopping Center	51,948,550	0.22
11.	Lapaloma Property LLC	Residential	49,849,350	0.21
12.	MGP IX Retail LLC	Shopping Center	46,140,832	0.19
13.	Richard T. Spieker, Trustee	Apartments	45,586,466	0.19
14.	Matthew Pear	Shopping Center	43,170,966	0.18
15.	Palo Alto Bowl LLC	Hotel	42,623,442	0.18
16.	SHP-Latham LLC	Office Building	34,697,340	0.14
17.	SI 29 LLC	Office Building	33,779,541	0.14
18.	Douglas M. Leone, Trustee	Residential	28,132,725	0.12
19.	Sutter Bay Medical Foundation	Office Building	27,791,761	0.12
20.	Safeway Inc.	Supermarket	<u>27,267,775</u>	<u>0.11</u>
			\$1,494,386,270	6.24%

(1) 2018-19 Local Secured Assessed Valuation: \$23,933,720,789

Source: California Municipal Statistics, Inc.

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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:

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

<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
\$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			<u>.00180</u>
Total All Property			1.17820
State Water Project			<u>.00420</u>
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 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 December 1, 2018:

**LOS ALTOS SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

2018-19 Assessed Valuation: \$24,099,154,471

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/18</u>
Santa Clara County	4.991%	\$ 47,275,750
Foothill-De Anza Community College District	14.397	89,282,115
Mountain View-Los Altos Union High School District	47.066	70,261,479
Los Altos School District	100.	50,665,000
City of Palo Alto	0.778	470,690
City of Los Altos 1915 Act Bonds (Estimate)	80.564-100.	554,710
City of Los Altos Hills Assessment District No. 1	100.	1,675,000
El Camino Hospital District	25.523	31,773,583
Midpeninsula Regional Park District	8.418	7,783,283
Santa Clara Valley Water District Benefit Assessment District	4.991	<u>4,106,844</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$303,848,454

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Clara County General Fund Obligations	4.991%	\$36,666,030
Santa Clara County Pension Obligation Bonds	4.991	17,587,230
Santa Clara County Board of Education Certificates of Participation	4.991	248,801
Foothill-DeAnza Community College District Certificates of Participation	14.397	4,067,275
Mountain View-Los Altos Union HSD Certificates of Participation	47.066	821,302
Los Altos School District General Fund Obligations	100.	2,512,408
City of Los Altos Certificates of Participation	81.040	1,008,948
Other City General Fund Obligations	Various	70,135
Midpeninsula Regional Park District General Fund Obligations	8.418	9,886,992
Santa Clara Valley Vector Control District Certificates of Participation	4.991	<u>123,278</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$72,992,399
Less: Santa Clara County supported obligations		<u>16,835,123</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$56,157,276

GROSS COMBINED TOTAL DEBT	\$376,840,853 ⁽¹⁾
NET COMBINED TOTAL DEBT	\$360,005,730

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$50,665,000)	0.21%
Total Direct and Overlapping Tax and Assessment Debt	1.26%
Combined Direct Debt (\$53,177,408)	0.22%
Gross Combined Total Debt	1.56%
Net Combined Total Debt.....	1.49%

⁽¹⁾ 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 "SECURITY FOR THE BONDS" 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 enrollment in the District for 2017-18 was 4,400 students and the enrollment for the District for 2018-19 is 4,240 students. The District has a 2018-19 secured assessed valuation of \$23,933,720,789. The audited financial statements for the District for the fiscal year ended June 30, 2017 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

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Jessica Speiser	President	2020
Bryan Johnson	Vice President	2022
Vaishali Sirkay	Clerk	2022
Vladimir Ivanovic	Member	2022
Steve 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 is a listing of the key administrative personnel of the District.

Name	Title
Jeff Baier	Superintendent
Sandra McGonagle	Assistant Superintendent, Curriculum & Instruction
Randall A. Kenyon	Assistant Superintendent, Business Services

Jeff 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, 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, 2019.

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, 2019.

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, 2019
California School Employees Association Chapter No. 103	157	June 30, 2019

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.

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, 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

Fiscal Year	ADA			Enrollment	
	K-3	4-6	7-8	Total Enrollment	% of EL/LI Enrollment
2015-16	1,823	1,587	1,134	4,636	14%
2016-17	1,762	1,497	1,124	4,522	15%
2017-18	1,735	1,470	1,097	4,400	16%
2018-19 ¹	1,680	1,415	1,063	4,392	16%
2019-20 ²	1,715	1,412	1,010	4,361	16%
2020-21 ²	1,745	1,355	1,050	4,358	16%

¹ Budgeted.

² Projected.

Source: *The District*.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 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

Revenue Source	2015-16	2016-17	2017-18 ⁽¹⁾	2018-19 ⁽²⁾
LCFF/Revenue Limit sources	60%	63%	63%	67%
Federal revenues	2	2	2	2
Other State revenues	10	6	8	6
Other local revenues	29	29	28	26

(1) Based on 2017-18 Estimated Actuals.

(2) Based on 2018-19 Adopted Budget.

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.

2017-18 State Budget. On June 27, 2017, Governor Brown signed the budget for the State for fiscal year 2017-18 (the “2017-18 State Budget”). For the 2016-17 fiscal year, the 2017-18 State Budget increased general fund revenues and transfers to \$118.5 billion (up \$3 billion from the 2016-17 State

Budget) and revised expenditures downward approximately \$1.1 billion from the 2016-17 State Budget to \$121.4 billion.

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

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

Significant provisions of the 2017-18 State Budget affecting K-12 education were as follows:

- One-Time Discretionary Grants — \$877 million Proposition 98 funds provided school districts, county offices of education, and charter schools with discretionary resources for deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.
- After School and Education Safety (ASES) Program — \$50 million Proposition 98 funds increased provider reimbursement rates for the ASES program.
- California Educator Development Program — \$11.3 million one-time federal Title II funds assisted local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high need subjects and schools.
- Classified School Employees Credentialing Program — \$25 million one-time Proposition 98 funds, available for five years, supported recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers.
- Bilingual Professional Development Program — \$5 million one-time Proposition 98 funds for one time competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.
- Charter School Facility Grant Program — An increase in the per student funding rate to \$1,117 for the 2017-18 fiscal year and an ongoing COLA.
- County Office of Education Accountability Assistance — \$7 million Proposition 98 funds to support county office LCAP review and technical assistance workload.
- California Equity Performance and Improvement Program — An increase of \$2.5 million one-time Proposition 98 funds to support and promote equity.
- Refugee Student Support — \$10 million one-time Proposition 98 General funds provided services for refugee students transitioning to a new learning environment.

- California-Grown Fresh School Meals Grants — \$1.5 million one-time Proposition 98 funds incentivized the purchase of California-grown food by schools and expand the number of freshly prepared school meals.
- District of Choice Program Extension — A six-year extension of the District of Choice program (set to sunset in 2018) and additional oversight and accountability requirements.

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 Incentive 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 LCFE 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.

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.

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. 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 cannot make any representation regarding the effects that a future drought 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.

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 for the 2016-17 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

General Fund
Special Revenue Funds
Debt Service Funds
Capital Project Funds

Fiduciary Funds

Trust and Agency Funds
Proprietary Funds
Internal Service 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 District's audited financial statements for the year ending June 30, 2017 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, 2017, is attached hereto as APPENDIX C. 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.

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 and 2016-17.

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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 2016-17**

	2014-15 Audit	2015-16 Audit	2016-17 Audit
REVENUES			
Revenue Limit/LCFF Sources	\$31,430,553	\$35,838,582	\$37,678,765
Federal Revenues	1,003,227	1,024,458	1,105,381
Other State Revenues	1,494,816	5,864,691	3,796,451
Other Local Revenues	<u>18,182,801</u>	<u>17,360,331</u>	<u>17,014,333</u>
TOTAL REVENUES	\$52,111,397	\$60,088,062	\$59,594,930
EXPENDITURES			
Current			
Instruction	36,111,389	37,339,440	38,840,664
Instruction related services			
Supervision of instruction	1,764,214	1,768,590	2,284,013
Instructional library, media and technology	848,179	883,708	982,592
School site administration	2,839,598	2,947,689	3,098,401
Pupil services			
Home-to-school transportation	215,363	235,368	468,061
Food services	99,186	99,901	107,072
All other pupil services	3,157,355	3,221,133	3,480,773
Administration			
Data processing	578,587	676,174	851,172
All other administration	2,724,325	2,708,192	3,191,075
Plant services	5,435,210	5,728,444	6,894,284
Other educational programs	48,612	65,414	14,248
Facility acquisition and construction	125,104	232,246	184,978
Debt Service			
Principal	174,286	182,697	191,516
Interest	<u>238,234</u>	<u>354,721</u>	<u>359,253</u>
TOTAL EXPENDITURES	\$54,359,642	\$56,443,717	\$60,948,102
Excess (Deficiency) of Revenues Over Expenditures	(2,248,245)	3,644,345	(1,353,172)
OTHER FINANCING SOURCES (USES):			
Transfers In	(2,769,206)	--	--
Transfers Out	<u>(2,769,206)</u>	<u>(1,325,000)</u>	<u>(274,067)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(2,769,206)	(1,325,000)	(274,067)
Net Change in Fund Balances	(5,017,451)	2,319,345	(1,627,239)
Fund Balance at Beginning of Year	11,998,568	\$6,934,141	\$9,253,486
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

Source: The District.

The table on the following page sets forth the budgets as compared to the audited actual results of the District for fiscal years 2014-15 through 2016-17 as well as the adopted budget and unaudited actual financial results for fiscal year 2017-18 and the adopted budget and first interim report results for fiscal year 2018-19.

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GENERAL FUND BUDGETING
Fiscal Years 2014-15 through 2018-19

	Adopted Budget 2014-15	Audited Actuals 2014-15	Adopted Budget 2015-16	Audited Actuals 2015-16	Adopted Budget 2016-17	Audited Actuals 2016-17	Adopted Budget 2017-18	Unaudited Actuals 2017-18	Adopted Budget 2018-19	First Interim Report 2018-19
REVENUES										
Revenue Limit/LCFF Sources	\$32,947,361	\$31,430,553	\$34,172,496	\$35,838,582	\$37,734,926	\$37,678,764	\$39,616,948	\$40,021,900	\$42,084,227	\$41,892,590
Federal	973,664	1,003,227	1,001,623	1,024,458	1,001,935	1,105,381	1,107,494	1,102,424	1,076,399	1,124,244
Other State	1,110,500	1,494,816	1,182,954	5,864,691	3,829,665	3,796,451	2,960,512	4,966,563	3,579,951	4,288,942
Other Local	<u>15,906,778</u>	<u>18,182,801</u>	<u>15,832,289</u>	<u>17,332,712</u>	<u>15,506,324</u>	<u>16,977,119</u>	<u>15,266,894</u>	<u>17,861,565</u>	<u>16,162,139</u>	<u>16,172,014</u>
Total Revenues	\$50,938,303	\$52,111,397	\$52,189,362	\$60,060,443	\$58,072,850	\$59,557,715	\$58,951,848	\$63,952,452	\$62,902,716	\$63,477,790
EXPENDITURES										
Certificated Salaries	23,314,238	24,731,256	24,350,855	24,846,783	25,173,343	26,381,279	26,364,575	27,457,334	27,419,736	27,017,545
Classified Salaries	7,287,071	8,138,711	8,251,224	8,307,382	8,308,083	9,079,579	9,179,301	9,967,796	9,871,691	10,285,703
Employee Benefits	10,803,881	11,211,087	11,805,063	13,444,409	14,552,945	14,212,535	15,142,407	15,915,618	16,461,701	16,538,643
Books and Supplies	1,586,442	3,410,006	1,401,308	2,486,192	1,437,468	2,575,703	1,610,589	2,829,074	1,462,229	2,036,794
Services, Other Operating Expenses	7,172,168	6,104,249	5,517,000	6,557,215	6,218,821	7,984,800	6,237,472	9,193,877	7,696,914	8,741,450
Capital outlay	191,814	382,917	148,511	403,518	169,824	367,158	236,570	138,154	180,986	229,036
Other Outgo	<u>362,727</u>	<u>381,416</u>	<u>382,993</u>	<u>398,217</u>	<u>382,641</u>	<u>347,050</u>	<u>350,884</u>	--	<u>341,064</u>	<u>341,065</u>
Total Expenditures	\$50,718,341	\$54,359,641	\$51,856,952	\$56,443,716	\$56,243,125	\$60,948,104	\$59,121,797	\$65,841,723	\$63,434,321	\$65,190,235
EXCESS (DEFICIENCY) OR REVENUES OVER (UNDER) EXPENDITURES										
	219,962	(2,248,244)	332,410	3,616,727	1,829,725	(1,390,389)	(169,949)	(1,889,270)	(531,605)	(1,712,445)
OTHER FINANCING SOURCES (USES)										
Transfers in	258,372	258,372	--	--	--	--	--	2,000,000	--	--
Transfer out	<u>(1,349,746)</u>	<u>(3,027,578)</u>	<u>(982,256)</u>	<u>(1,557,405)</u>	<u>(582,010)</u>	<u>(356,077)</u>	<u>(201,277)</u>	<u>228,521</u>	--	--
Total Other Financing Sources and Uses	(1,091,374)	(2,769,206)	(982,256)	(1,557,405)	(582,010)	(356,077)	(201,277)	1,771,479	--	--
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources										
Net Increase (Decrease) In Fund Balance	(871,412)	(5,017,451)	(649,846)	2,059,322	1,247,715	(1,746,466)	(371,226)	(1,660,749)	(531,605)	(1,712,445)
Fund Balance, July 1	\$11,998,568	\$11,951,592	\$1,834,607	\$1,834,607	\$2,176,246	\$3,893,928	\$1,334,260	\$2,147,462	\$1,446,853	\$2,029,670
Fund Balance, June 30	\$11,127,156	\$ 6,934,141	\$1,184,761	\$3,893,928	\$3,423,960	\$2,147,462	\$ 963,033	\$2,029,670	\$ 915,246	\$ 317,225

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 Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 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's contribution rates will increase over a seven year phase in period in accordance with the following schedule:

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

The District contributed \$2,152,738 to STRS for fiscal year 2014-15, \$4,228,754 for fiscal year 2015-16 and \$4,747,426 to STRS for fiscal year 2016-17. Such contributions were equal to 100% of the required contributions for the respective years. The District estimates a contribution to STRS of approximately \$6,058,003 for fiscal year 2017-18 and has budgeted a contribution of \$6,227,520 for fiscal year 2018-19. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. 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 \$1,054,323 to PERS for fiscal year 2014-15, \$1,068,928 for fiscal year 2015-16 and \$1,171,494 for fiscal year 2016-17, which amounts equaled 100% of required contributions to PERS. The District estimates its contribution to PERS of approximately \$1,421,170 for fiscal year 2017-18 and has budgeted \$1,702,190 for fiscal year 2018-19.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2015.

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

<u>Plan</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets</u>	<u>Unfunded Liability</u>
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, 2017, are as shown in the following table.

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>
STRS	\$38,000,142
PERS	<u>12,882,222</u>
Total	\$50,882,364

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 for fiscal year ended June 30, 2017 attached hereto as APPENDIX C.

Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this

pronouncement was staggered in three phases based upon the entity’s annual revenues, similar to the implementation for GASB Statement No. 34 and No. 35.

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, 2006). 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.

Certificated employees of the District hired prior to 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.

On July 1, 2015, 187 retirees met these qualifications with 470 employees earning service credit towards eligibility.

Expenditures for post-employment healthcare benefits are recognized each pay period at a rate that approximates the amount of premiums paid. During the fiscal years ended June 30, 2016 and June 30, 2017, expenditures of approximately \$1,004,457 and \$1,045,431, respectively, were recognized for post-employment healthcare benefits, respectively. The District has completed an actuarial study of its Health and Welfare Benefits dated July 1, 2015. Based on that study, the District’s Annual Required Contribution is \$1,482,151 and its unfunded actuarial accrued liability is \$3,297,141.

FUNDED STATUS			
OTHER POST-EMPLOYMENT BENEFITS			
Fiscal Year Ended (June 30)	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2015	\$1,264,225	79.66%	\$2,506,326
2016	1,428,308	70.32	2,930,177
2017	1,412,395	74.02	3,297,141

Source: The District.

Certain Existing Obligations

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds					
Current interest bonds	\$ 68,555,000	\$ 32,550,000	\$43,265,000	\$57,840,000	\$8,195,000
Capital appreciation bonds	--	--	--	--	--
Unamortized bond premium	<u>8,112,374</u>	<u>3,831,758</u>	<u>5,049,767</u>	<u>6,894,365</u>	<u>1,149,061</u>
Total general obligation bonds	76,667,374	36,381,758	48,314,767	64,734,365	9,344,061
Bond anticipation notes	5,000,000	2,500,000	--	7,500,000	--
Lease-leaseback obligations	3,008,372	--	191,516	2,816,856	200,760
Net pension liabilities	40,982,958	17,361,524	7,462,118	50,882,364	--
Net post-employment benefits	2,930,177	1,412,395	1,045,431	3,297,141	--
Compensated absences	<u>320,540</u>	<u>363,034</u>	<u>317,921</u>	<u>365,653</u>	<u>317,921</u>
Total	\$128,909,421	\$58,018,711	\$57,331,753	\$129,596,379	\$9,862,742

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 caused the issuance of \$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 the 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

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 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 is to be repaid from the proceeds of general obligation bonds issued pursuant to the Authorization. The District plans to redeem and/or defease the Prior Notes 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-leaseback 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 leases for facilities and equipment with terms in excess of one year. The leases do not contain purchase option. The leases have minimum annual payments as follows:

Year ending <u>June 30</u>	<u>Lease Payment</u>
2018	\$ 560,007
2019	475,534
2020	336,185
2021	77,560
2022	<u>6,912</u>
Total	<u>\$1,456,198</u>

Source: The District.

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CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A 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 XIII A 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 XIII A 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 XIII A

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

Under Article XIII B 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 XIII B 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 XIII B, 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 estimates receipt of \$874,316 for such State Lottery aid in 2018-19. 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 XIII A. Under this amendment to Article XIII A, 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 XIII A, 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 XIII A has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIII A 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 XIII C and XIII D 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 XIII C and XIII D 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 XIII C 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 XIII D. 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 PSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. Further, the District has approved a fiscal policy requiring the maintenance of a minimum reserve of 8% of general fund expenditures. On June 30, 2017, the District had unassigned available reserves of approximately 6.5% of total outgo, or about \$3,957,816.

Future Initiatives

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Bond Resolution subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance 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 Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Bonds would have no right to

participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium

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

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation’s alternative minimum taxable income imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

The initial offering price of certain Bonds (the “Premium Bonds”), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are

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

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

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds 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 "____" to the Bonds and its municipal bond rating of "____" to the Notes. Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "____" to the Bonds and its municipal bond rating of "____" 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 _____ (the "Underwriter") pursuant to a bond purchase agreement between the District and the Underwriter (the "Bond Purchase Agreement"). The Underwriter has agreed to purchase the Bonds at a purchase price of \$_____ (consisting of the principal amount of the Bonds, plus an original issue premium of \$_____ and less an underwriter's discount of \$_____). 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 Underwriter has 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 Underwriter pursuant to a note purchase agreement between the District and the Underwriter (the "Note Purchase Agreement"). The Underwriter has agreed to purchase the Notes at a purchase price of \$_____ (consisting of the principal amount of the Notes of \$_____ plus an original issue premium in the amount of \$_____, and less an underwriter's discount in the amount of \$_____). 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 Underwriter has 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 Underwriter 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 Underwriter.

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. A copy 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: _____
Superintendent

APPENDIX A

FORM 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: \$_____ 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 \$_____ aggregate principal amount of the District's General Obligation Bonds (Election of 2014), Series A (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of 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, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

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

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

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

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

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

Respectfully submitted,

Dannis Woliver Kelley

[2019 BOND ANTICIPATION NOTES (FEDERALLY TAXABLE)]

[Date of Delivery]

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

Re: \$_____ 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 \$_____ 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. In our opinion, under existing law, interest on the Notes is exempt from personal income taxes of the State of California.

We express no 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	<u>86,877</u>	<u>86,811</u>	<u>87,029</u>	<u>87,352</u>	<u>87,465</u>	<u>87,666</u>
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 2017, 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%

⁽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 2017.

COUNTY OF SANTA CLARA 2017 MAJOR EMPLOYERS

Employer	Employees
Apple Computer, Inc.	25,000
Alphabet Inc.	20,000
County of Santa Clara	18,244
Stanford University	16,919
Cisco Systems Inc.	15,700
Kaiser Permanente	12,500
Stanford Healthcare (formerly Hospital & Clinics)	10,034
Tesla Motors Inc.	10,000
Facebook Inc.	9,385
Intel Corporation	8,500

Source: County of Santa Clara Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2017.

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
<u>Valuation</u>					
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
<u>Number of New Dwelling Units</u>					
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
<u>Valuation</u>					
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
<u>Number of New Dwelling Units</u>					
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

Year	<u>Retail and Food Services</u>	<u>Total All Outlets</u>
	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*}

Year	<u>Retail and Food Services</u>	<u>Total All Outlets</u>
	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.

APPENDIX C

**LOS ALTOS SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

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 \$_____ aggregate principal amount of the District’s General Obligation Bonds (Election of 2014), Series A (Tax Exempt) (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 Morgan Stanley & Co., LLC (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent or Assistant Superintendent, Business Services (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be the District.

“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 January __, 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; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(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; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(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 Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____, 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: \$_____ General Obligation Bonds (Election of 2014), Series A (Tax Exempt)

Date of Issuance: _____, 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 January __, 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 \$_____ 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 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 Noteholders and in order to assist _____ (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“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.

“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 January __, 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; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(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.

(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 Underwriter 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: January __, 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: \$_____ 2019 General Obligation Bond Anticipation Notes

Date of Issuance: January __, 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 January __, 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 depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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.

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 Underwriter. The District, the Municipal Advisor and the Underwriter 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 Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the 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.