

**NEW ISSUE—FULL BOOK-ENTRY**

**RATING: S&P: “AA”  
See “MISCELLANEOUS – Rating” herein**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Bonds.*

**\$3,600,000  
LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
(Santa Clara and Santa Cruz Counties, California)  
Election of 2018 General Obligation Bonds, Series A  
(Bank Qualified)**

**Dated: Date of Delivery**

**Due: August 1, as shown on the inside cover**

*This cover page contains certain information for general 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. Capitalized terms used on this cover page but not otherwise defined shall have the meanings assigned to such terms herein.*

The Loma Prieta Joint Union Elementary School District (Santa Clara and Santa Cruz Counties, California) Election of 2018 General Obligation Bonds, Series A (Bank Qualified) (the “Bonds”), were authorized at an election of the registered voters of the Loma Prieta Joint Union Elementary School District (the “District”) held on June 5, 2018, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance of \$10,600,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization, and equipping of District sites and facilities and (ii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of Santa Clara and Santa Cruz Counties are each empowered and obligated to annually levy such *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 the principal of and interest on the Bonds when due.

The Bonds will be dated as of their Date of Delivery and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

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 of The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

**The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates, as further described herein.**

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**Maturity Schedule  
(See inside cover)**

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*The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about February 13, 2019.*

**PiperJaffray**

Dated: January 23, 2019

## MATURITY SCHEDULE

**\$3,600,000**  
**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**(Santa Clara and Santa Cruz Counties, California)**  
**Election of 2018 General Obligation Bonds, Series A**  
**(Bank Qualified)**

**Base CUSIP<sup>(1)</sup>: 541498**

**\$975,000 Serial Bonds**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>(1)</sup> Suffix</u>
2019	\$375,000	2.000%	1.500%	CW9
2020	330,000	2.000	1.550	CX7
2021	270,000	3.000	1.560	DD0

**\$140,000 – 4.000% Term Bonds due August 1, 2029 – Yield 2.340%<sup>(2)</sup>; CUSIP<sup>(1)</sup> Suffix: CY5**

**\$280,000 – 3.125% Term Bonds due August 1, 2034 – Yield 3.320%; CUSIP<sup>(1)</sup> Suffix: CZ2**

**\$370,000 – 3.375% Term Bonds due August 1, 2038 – Yield 3.570%; CUSIP<sup>(1)</sup> Suffix: DA6**

**\$715,000 – 4.000% Term Bonds due August 1, 2043 – Yield 3.720%<sup>(2)</sup>; CUSIP<sup>(1)</sup> Suffix: DB4**

**\$1,120,000 – 5.250% Term Bonds due August 1, 2048 – Yield 3.350%<sup>(2)</sup>; CUSIP<sup>(1)</sup> Suffix: DC2**

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<sup>(1)</sup> 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. None of the Underwriter, the Municipal Advisor, or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, municipal advisor, or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. 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.

<sup>(2)</sup> Yield to call at par on August 1, 2026.

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 or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside of 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 completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS 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 AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented 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.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**

**Board of Trustees**

Deana A. Arnold, *President*

Kerrie Mills, *Vice President*

Ben Abeln, *Trustee*

Ronald Bourque, *Trustee*

Marco Menéndez, *Trustee*

**District Administration**

Lisa Fraser, *Superintendent*

Cathy Vance, *Chief Business Official*

**PROFESSIONAL SERVICES**

**Bond and Disclosure Counsel**

Stradling Yocca Carlson & Rauth,

a Professional Corporation

*San Francisco, California*

**Municipal Advisor**

Isom Advisors, a Division of Urban Futures, Inc.

*Walnut Creek, California*

**Paying Agent**

U.S. Bank National Association

*St. Paul, Minnesota*

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**\$3,600,000**  
**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**(Santa Clara and Santa Cruz Counties, California)**  
**Election of 2018 General Obligation Bonds, Series A**  
**(Bank Qualified)**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Loma Prieta Joint Union Elementary School District (Santa Clara and Santa Cruz Counties, California) Election of 2018 General Obligation Bonds, Series A (Bank Qualified) (the “Bonds”).

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

**General**

The Loma Prieta Joint Union Elementary School District (the “District”), located at the summit of the Santa Cruz mountains between San Jose and Santa Cruz, California, occupies approximately 48 square miles in Santa Clara County (the “County”) and Santa Cruz County (together with the County, the “Counties”). The District educates students at Loma Prieta Elementary School (K-5) and C.T. English Middle School (6-8). For fiscal year 2018-19, the District’s enrollment is 498 students and the District’s projected average daily attendance (“ADA”) is 478.08. The fiscal year 2018-19 assessed value of property within the District is \$1,288,542,950.

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

See “TAX BASE FOR PAYMENT OF BONDS” herein for more information regarding the District’s assessed valuation, and “LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein for more information regarding the District generally. The fiscal year 2017-18 Audited Financial Statement of the District are attached as APPENDIX B and should be read in its entirety.

**Purpose of the Bonds**

The Bonds are being issued to (i) finance the acquisition, construction, modernization, and equipping of District sites and facilities and (ii) pay the costs of issuing the Bonds. See also “THE BONDS – Application and Investment of Bond Proceeds” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

## **Authority for Issuance of the Bonds**

The Bonds are being issued pursuant to certain provisions of the California Government Code and California Constitution and pursuant to a resolution adopted by the Board on December 12, 2018 (the “Resolution”). See “THE BONDS – Authority for Issuance” herein.

## **Sources of Payment for the Bonds**

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *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 the principal of and interest on the Bonds when due. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR PAYMENT OF BONDS” herein.

## **Description of the Bonds**

***Form and Registration.*** The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. See “THE BONDS – General Provisions” and “THE BONDS – Book-Entry Only System” herein. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See “THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners” herein.

**So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners,” “Bond Owners” or “Holders” of the Bonds (other than under the captions “INTRODUCTION – Tax Matters” and “TAX MATTERS” herein, as well as in APPENDIX A attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.**

***Denominations.*** Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or any integral multiple thereof.

***Redemption.*** The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as further described herein. See “THE BONDS – Redemption” herein.

***Payments.*** The Bonds will be dated as of the date of their execution and issuance (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year (each a “Bond Payment Date”), commencing August 1, 2019. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, St. Paul, Minnesota, as the designated paying agent, registrar and transfer agent (the “Paying Agent”) to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

## **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”) based on existing statutes, regulations, rulings and judicial decisions and



assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the “State”) personal income tax. See “TAX MATTERS” herein.

### **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about February 13, 2019.

### **Bond Owner’s Risks**

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, and certain other considerations related thereto, see “TAX BASE FOR PAYMENT OF BONDS” and “LIMITATION ON REMEDIES; BANKRUPTCY” herein.

### **Bank Qualified**

The District will designate the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code (as defined herein).

### **Continuing Disclosure**

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events in compliance with Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (the “Rule”). These covenants have been made in order to assist the Underwriter (defined herein) in complying with the Rule. The specific nature of the information to be made available and of the notices of listed events required to be provided are summarized in “LEGAL MATTERS – Continuing Disclosure” herein and in APPENDIX C attached hereto.

### **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Isom Advisors, a Division of Urban Futures, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Isom Advisors, a Division of Urban Futures, Inc., is the municipal advisor for the District (the “Municipal Advisor”). Kutak Rock LLP, Denver, Colorado is acting as counsel to the Underwriter.

## **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “intend,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Loma Prieta Joint Union Elementary School District, 23800 Summit Road, Los Gatos, California 95033, telephone: (408) 353-1101. The District may impose a charge for copying, mailing and handling.

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 herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the provisions of Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (the “Act”), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the State Constitution, and the Resolution. The District received authorization at an election held on June 5, 2018 by the requisite 55% of the votes cast by eligible voters within the District to issue \$10,600,000 aggregate principal amount of general obligation bonds (the “2018 Authorization”). The Bonds are the first series of bonds issued under the 2018 Authorization, and following the issuance thereof, \$7,000,000 of the 2018 Authorization will remain unissued.

### Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes, upon all property within the District subject to taxation thereby, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due.

Such *ad valorem* property 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. The levy may include allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The Counties, however, are not obligated to establish such reserves, and the District can make no representation that such reserves will be established by either of the Counties or that such reserves, if previously established by either of the Counties, will be maintained in the future. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein), which fund is required to be segregated and maintained by the County and which is designated for the payment of the principal of and interest on the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and the County will maintain the Building Fund (defined herein) and the Debt Service Fund, the Bonds are not a debt of either of the Counties.

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 by the County treasurer to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal of and interest on the Bonds to its DTC Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds as described above 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 purchasing 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 (such as the 1989 Loma Prieta earthquake), fire, flood, 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 PAYMENT OF BONDS" herein.

**Wildfires.** Recent wildfires have caused significant property damage to portions of the State, including the heavily wooded areas surrounding the District. Although recent wildfires did not impact property within the District, it is possible that future wildfires could break out within the District, and the District can make no representation regarding the potential impact on the assessed value of taxable property within the District if properties within the District are affected by such fires.

### **Statutory Lien**

Pursuant to 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 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property 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 such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

### **General Provisions**

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 of DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing August 1, 2019. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16<sup>th</sup> day of the month immediately preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2019, in which event it will bear interest from the Date of Delivery. 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 of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15<sup>th</sup> day of the month immediately preceding such Bond Payment Date (the “Record Date”), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds.

### Annual Debt Service

The following table shows the annual debt service requirements of the District for the Bonds (assuming no optional redemptions):

<b>Year Ending (August 1)</b>	<b>Annual Principal Payment</b>	<b>Annual Interest Payment<sup>(1)</sup></b>	<b>Total Annual Debt Service</b>
2019	\$375,000.00	\$63,670.83	\$438,670.83
2020	330,000.00	128,937.50	458,937.50
2021	270,000.00	122,337.50	392,337.50
2022	--	114,237.50	114,237.50
2023	5,000.00	114,237.50	119,237.50
2024	10,000.00	114,037.50	124,037.50
2025	15,000.00	113,637.50	128,637.50
2026	20,000.00	113,037.50	133,037.50
2027	25,000.00	112,237.50	137,237.50
2028	30,000.00	111,237.50	141,237.50
2029	35,000.00	110,037.50	145,037.50
2030	40,000.00	108,637.50	148,637.50
2031	50,000.00	107,387.50	157,387.50
2032	55,000.00	105,825.00	160,825.00
2033	65,000.00	104,106.26	169,106.26
2034	70,000.00	102,075.00	172,075.00
2035	80,000.00	99,887.50	179,887.50
2036	90,000.00	97,187.50	187,187.50
2037	95,000.00	94,150.00	189,150.00
2038	105,000.00	90,943.76	195,943.76
2039	120,000.00	87,400.00	207,400.00
2040	130,000.00	82,600.00	212,600.00
2041	140,000.00	77,400.00	217,400.00
2042	155,000.00	71,800.00	226,800.00
2043	170,000.00	65,600.00	235,600.00
2044	185,000.00	58,800.00	243,800.00
2045	205,000.00	49,087.50	254,087.50
2046	220,000.00	38,325.00	258,325.00
2047	245,000.00	26,775.00	271,775.00
2048	265,000.00	13,912.50	278,912.50
<b>Total</b>	<b><u>\$3,600,000.00</u></b>	<b><u>\$2,699,545.85</u></b>	<b><u>\$6,299,545.85</u></b>

<sup>(1)</sup> Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2019.

See “LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a full debt service schedule of all of the District’s outstanding general obligation bond debt.

### **Application and Investment of Bond Proceeds**

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

***Building Fund.*** The net proceeds from the sale from the Bonds will be paid to the County to the credit of the building fund created by the Resolution (the “Building Fund”), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds.

***Debt Service Fund.*** Any premium received by the District from the sale of the Bonds, as well as *ad valorem* property taxes levied by the Counties for the payment of the Bonds, when collected, are required to be held separate and apart in the debt service fund created by the Resolution (the “Debt Service Fund”), and used only for payment of principal of and interest on the Bonds. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

***Investment of Proceeds of the Bonds.*** Moneys in the Building Fund and Debt Service Fund are expected to be invested through the County pooled investment fund. See “APPENDIX E – SANTA CLARA COUNTY INVESTMENT POOL” attached hereto.

### **Redemption**

***Optional Redemption.*** The Bonds maturing on or before August 1, 2021 are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 2029 may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 2026 or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on August 1, 2029 (the “2029 Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2023, at a redemption price equal to the principal amount thereof, together with interest accrued to the date set for such redemption, without premium. The principal amount of such 2029 Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date are as shown in the following table:

<b>Redemption Date (August 1)</b>	<b><u>Principal Amount</u></b>
2023	\$5,000
2024	10,000
2025	15,000
2026	20,000
2027	25,000
2028	30,000
2029 <sup>(1)</sup>	35,000

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<sup>(1)</sup> Maturity.

In the event that a portion of such 2029 Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately (or as otherwise directed by the District), in integral multiples of \$5,000 principal amount, in respect of the portion of such 2029 Term Bonds optionally redeemed.

The Bonds maturing on August 1, 2034 (the “2034 Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2030, at a redemption price equal to the principal amount thereof, together with interest accrued to the date set for such redemption, without premium. The principal amount of such 2034 Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date are as shown in the following table:

<b>Redemption Date (August 1)</b>	<b><u>Principal Amount</u></b>
2030	\$40,000
2031	50,000
2032	55,000
2033	65,000
2034 <sup>(1)</sup>	70,000

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<sup>(1)</sup> Maturity.

In the event that a portion of such 2034 Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately (or as otherwise directed by the District), in integral multiples of \$5,000 principal amount, in respect of the portion of such 2034 Term Bonds optionally redeemed.

The Bonds maturing on August 1, 2038 (the “2038 Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2035, at a redemption price equal to the principal amount thereof, together with interest accrued to the date set for such redemption, without premium. The principal amount of such 2038 Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date are as shown in the following table:

<b>Redemption Date (August 1)</b>	<b><u>Principal Amount</u></b>
2035	\$80,000
2036	90,000
2037	95,000
2038 <sup>(1)</sup>	105,000

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<sup>(1)</sup> Maturity.

In the event that a portion of such 2038 Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately (or as otherwise directed by the District), in integral multiples of \$5,000 principal amount, in respect of the portion of such 2038 Term Bonds optionally redeemed.

The Bonds maturing on August 1, 2043 (the “2043 Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2039, at a redemption price equal to the principal amount thereof, together with interest accrued to the date set for such redemption, without premium. The principal amount of such 2043 Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date are as shown in the following table:

<b>Redemption Date (August 1)</b>	<b><u>Principal Amount</u></b>
2039	\$120,000
2040	130,000
2041	140,000
2042	155,000
2043 <sup>(1)</sup>	170,000

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<sup>(1)</sup> Maturity.

In the event that a portion of such 2043 Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately (or as otherwise directed by the District), in integral multiples of \$5,000 principal amount, in respect of the portion of such 2043 Term Bonds optionally redeemed.



The Bonds maturing on August 1, 2048 (the “2048 Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2044, at a redemption price equal to the principal amount thereof, together with interest accrued to the date set for such redemption, without premium. The principal amount of such 2048 Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date are as shown in the following table:

<b>Redemption Date (August 1)</b>	<b><u>Principal Amount</u></b>
2044	\$185,000
2045	205,000
2046	220,000
2047	245,000
2048 <sup>(1)</sup>	265,000

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<sup>(1)</sup> Maturity.

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

***Selection of Bonds for Redemption.*** Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent, will select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in a principal amount of \$5,000, or any integral multiple thereof.

***Redemption Notice.*** When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a “Redemption Notice”) of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or, in the absence of such a written designation, as the Paying Agent may select.

“Securities Depository” means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District to the effect that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

***Payment of Redeemed Bonds.*** When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “– Defeasance” herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

***Effect of Redemption Notice.*** If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “– Defeasance” herein, and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the owners of Bonds to be so redeemed.

***Rescission of Redemption Notice.*** With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in “– Defeasance” herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal of, premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the

manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

***Bonds No Longer Outstanding.*** When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

### **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, Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, 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 or the Participants (as defined herein) 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 "Procedures" of DTC to be followed in dealing with the DTC Participants are on file with DTC.*

The DTC, New York, NY, 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

“AA+”. The DTC Rules applicable to DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). However, the information presented on such website is not incorporated herein by any reference to such website.

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 DTC 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 DTC 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 DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 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 the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in

bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC 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 the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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**

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which will at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

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

The principal of the Bonds and any premium and interest on the Bonds 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 designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire 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 like series, tenor, maturity and principal amount upon presentation and surrender at the designated office of the Paying Agent, 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 on the registration books of the Paying Agent only upon presentation and surrender of such Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16<sup>th</sup> day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date, or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

## **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 with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date; or
- (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with amounts transferred from the Debt Service Fund, if any, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date;

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

“Government Obligations” means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Moody’s Investors Service (“Moody’s”) or S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”).

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are expected to be as follows:

### Sources of Funds

Principal Amount of the Bonds	\$3,600,000.00
Net Original Issue Premium	<u>164,042.60</u>
Total Sources	<u>\$3,764,042.60</u>

### Uses of Funds

Deposit to Building Fund	\$3,528,000.00
Deposit to Debt Service Fund	146,042.60
Underwriter's Discount	18,000.00
Costs of Issuance <sup>(1)</sup>	<u>72,000.00</u>
Total Uses	<u>\$3,764,042.60</u>

<sup>(1)</sup> Reflects certain costs of issuance of the Bonds, including, but not limited to, legal fees, printing costs, rating agency fees, and the costs and fees of the Paying Agent. Approximately \$63,000 of the costs of issuance of the Bonds will be paid from the proceeds of the Bonds deposited into the Building Fund.

## TAX BASE FOR PAYMENT OF BONDS

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

### **Ad Valorem Property Taxation**

District property taxes are assessed and collected by the Counties at the same time and on the same rolls as county, city and special district property taxes. Assessed valuations are the same for both the District and the Counties' taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. 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 public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The Counties each levy and collect all property taxes for property falling within their respective taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the applicable county's tax collector. After the second installment of taxes on the secured roll is delinquent, the applicable county's tax collector will collect a cost of \$10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed,

until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax collector.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Secured Tax Charges and Delinquencies" herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of such exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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## Assessed Valuations

The following table represents a five-year history of assessed valuations in the District.

**ASSESSED VALUATIONS**  
**Fiscal Years 2014-15 through 2018-19**  
**Loma Prieta Joint Union Elementary School District**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
<b><u>Santa Clara County Portion</u></b>				
2014-15	\$225,915,685	--	\$1,535,197	\$227,450,882
2015-16	240,570,065	--	1,144,016	241,714,081
2016-17	250,631,031	--	1,396,027	252,027,058
2017-18	266,243,632	--	987,722	267,231,354
2018-19	276,074,368	--	1,102,657	277,177,025
<b><u>Santa Cruz County Portion</u></b>				
2014-15	\$795,790,443	--	\$1,957,142	\$797,747,585
2015-16	851,982,100	--	1,813,379	853,795,479
2016-17	897,958,413	--	1,865,924	899,824,337
2017-18	958,015,619	--	1,869,444	959,885,063
2018-19	1,009,530,435	--	1,835,490	1,011,365,925
<b><u>Total District</u></b>				
2014-15	\$1,021,706,128	--	\$3,492,339	\$1,025,198,467
2015-16	1,092,552,165	--	2,957,395	1,095,509,560
2016-17	1,148,589,444	--	3,261,951	1,151,851,395
2017-18	1,224,259,251	--	2,857,166	1,227,116,417
2018-19	1,285,604,803	--	2,938,147	1,288,542,950

Source: California Municipal Statistics, Inc.

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 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. Any such reduction would result in a corresponding increase in the annual tax rates levied by the respective Counties to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

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

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

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

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

***Assembly Bill 102.*** On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

**Assessed Valuation by Jurisdiction.** The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

**ASSESSED VALUATION AND PARCELS BY JURISDICTION**  
**Fiscal Year 2018-19**  
**Loma Prieta Joint Union Elementary School District**

<b><u>Jurisdiction:</u></b>	<b><u>Assessed Valuation in District</u></b>	<b><u>% of District</u></b>	<b><u>Assessed Valuation of Jurisdiction</u></b>	<b><u>% of Jurisdiction in District</u></b>
Unincorporated Santa Clara County	\$277,177,025	21.51%	\$17,968,471,412	1.54%
Unincorporated Santa Cruz County	<u>1,011,365,925</u>	<u>78.49</u>	\$26,480,602,928	3.82%
Total District	\$1,288,542,950	100.00%		
<b><u>Summary by County:</u></b>				
Santa Clara County	\$277,177,025	21.51%	\$482,861,280,340	0.06%
Santa Cruz County	<u>1,011,365,925</u>	<u>78.49</u>	\$45,820,424,328	2.21%
Total District	\$1,288,542,950	100.00%		

*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.

**ASSESSED VALUATION OF SINGLE FAMILY HOMES  
Fiscal Year 2018-19  
Loma Prieta Joint Union Elementary School District**

	<b>No. of Parcels</b>	<b>2018-19 Assessed Valuation</b>	<b>Average Assessed Valuation</b>	<b>Median Assessed Valuation</b>
Single Family Residential	1,602	\$1,173,616,639	\$732,595	\$6778,371

<b>2018-18 Assessed Valuation</b>	<b>No. of Parcels<sup>(1)</sup></b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$0 - \$99,999	76	4.744%	4.744%	\$5,162,514	0.440%	0.440%
100,000 - 199,999	190	11.860	16.604	28,078,205	2.392	2.832
200,000 - 299,999	104	6.492	23.096	26,344,050	2.245	5.077
300,000 - 399,999	115	7.179	30.275	40,569,625	3.457	8.534
400,000 - 499,999	99	6.180	36.454	44,713,983	3.810	12.344
500,000 - 599,999	116	7.241	43.695	64,016,628	5.455	17.798
600,000 - 699,999	129	8.052	51.748	83,901,371	7.149	24.947
700,000 - 799,999	108	6.742	58.489	80,614,612	6.869	31.816
800,000 - 899,999	146	9.114	67.603	124,796,792	10.634	42.450
900,000 - 999,999	109	6.804	74.407	103,346,164	8.806	51.256
1,000,000 - 1,099,999	85	5.306	79.713	89,182,790	7.599	58.855
1,100,000 - 1,199,999	87	5.431	85.144	99,664,200	8.492	67.347
1,200,000 - 1,299,999	58	3.620	88.764	72,387,905	6.168	73.515
1,300,000 - 1,399,999	37	2.310	91.074	49,959,228	4.257	77.771
1,400,000 - 1,499,999	34	2.122	93.196	49,270,650	4.198	81.970
1,500,000 - 1,599,999	25	1.561	94.757	38,540,619	3.284	85.254
1,600,000 - 1,699,999	16	0.999	95.755	26,626,195	2.269	87.522
1,700,000 - 1,799,999	16	0.999	96.754	27,910,288	2.378	89.900
1,800,000 - 1,899,999	14	0.874	97.628	25,859,682	2.203	92.104
1,900,000 - 1,999,999	9	0.562	98.190	17,523,165	1.493	93.597
2,000,000 and greater	<u>29</u>	<u>1.810</u>	100.000	<u>75,147,973</u>	<u>6.403</u>	100.000
Total	1,602	100.000%		\$1,173,616,639	100.000%	

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

**Assessed Valuation and Parcels by Land Use.** The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19.

**ASSESSED VALUATION AND PARCELS BY LAND USE**  
**Fiscal Year 2018-19**  
**Loma Prieta Joint Union Elementary School District**

	<b>2018-19</b>	<b>% of</b>	<b>No. of</b>	<b>% of</b>
	<b><u>Assessed Valuation</u><sup>(1)</sup></b>	<b><u>Total</u></b>	<b><u>Parcels</u></b>	<b><u>Total</u></b>
<b><u>Non-Residential:</u></b>				
Agricultural/Rural	\$76,478,927	5.95%	520	22.18%
Commercial/Office	4,313,209	0.34	5	0.21
Recreational	6,424,331	0.50	4	0.17
Government/Social/Institutional	1,131,776	0.09	15	0.64
Miscellaneous/Water Company	<u>7,100,611</u>	<u>0.55</u>	<u>91</u>	<u>3.88</u>
Subtotal Non-Residential	\$95,448,854	7.42%	635	27.09%
<b><u>Residential:</u></b>				
Single Family Residence	\$1,173,616,639	91.29%	1,602	68.34%
2-4 Residential Units	5,224,947	0.41	5	0.21
5+ Residential Units/Apartments	1,436,521	0.11	1	0.04
Mobile Home/Trailer Park	<u>1,108,084</u>	<u>0.09</u>	<u>1</u>	<u>0.04</u>
Subtotal Residential	\$1,181,386,191	91.89%	1,609	68.64%
Vacant Parcels	\$8,769,758	0.68%	100	4.27%
Total	\$1,285,604,803	100.00%	2,344	100.00%

<sup>(1)</sup> Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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## Secured Tax Charges and Delinquencies

The following table shows secured *ad valorem* property tax levies for bonded indebtedness of the District, and amounts delinquent as of June 30, for fiscal years 2013-14 through 2017-18.

### SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2013-14 through 2017-18 Loma Prieta Joint Union Elementary School District

<u>Santa Clara County Portion</u>			
	<u>Secured Tax Charge<sup>(1)</sup></u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2013-14	\$53,258.96	\$2,040.09	3.83%
2014-15	57,405.71	953.26	1.66
2015-16	57,544.14	667.46	1.16
2016-17	59,450.70	2,069.69	3.48
2017-18	61,475.91	1,518.52	2.47

<u>Santa Cruz County Portion</u>			
	<u>Secured Tax Charge</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2013-14	\$1,659,334.00 <sup>(2)</sup>	-- <sup>(3)</sup>	--
2014-15	1,781,028.00 <sup>(2)</sup>	-- <sup>(3)</sup>	--
2015-16	204,367.35 <sup>(1)</sup>	\$6,178.40	3.02%
2016-17	216,805.40 <sup>(1)</sup>	7,075.55	3.26
2017-18	224,064.55 <sup>(1)</sup>	6,777.52	3.02

(1) District's general obligation bond debt service levy.

(2) 1% General Fund apportionment.

(3) Santa Cruz County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the county retaining all penalties and interest.

Source: *California Municipal Statistics, Inc.*

## Alternative Method of Tax Apportionment – “Teeter Plan”

The Boards of Supervisors of the Counties have approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (also known as the “Teeter Plan”), as provided for in State Revenue and Taxation Code Section 4701 *et seq.* Under the Teeter Plan, the Counties apportion secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the District, for which the Counties act as the tax-levying or tax-collection agency. The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan is also applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county. The secured *ad valorem* property tax to be levied by the Counties to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the secured *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the Counties.

The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the applicable county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%. If the Teeter Plan is discontinued

subsequent to its implementation, secured property taxes levied within the related county would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

**Tax Rates**

Representative tax rate areas (each a “TRA”) located within the District are TRA 72-004 and TRA 79-032. The table below shows the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in each such TRA during the five-year period from fiscal year 2014-15 through 2018-19.

**SUMMARY OF AD VALOREM PROPERTY TAX RATES  
Fiscal Years 2014-15 through 2018-19  
Loma Prieta Joint Union Elementary School District**

**TRA 72-004 (Santa Clara County Portion)<sup>(1)</sup>**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement Levy	.0388	.0388	.0388	.0388	.0388
County Library Retirement Levy	.0024	.0024	.0024	.0024	.0024
County Hospital Bonds	.0091	.0088	.0086	.0082	.0072
County Housing Bonds	--	--	--	.0127	.0105
Loma Prieta Joint Union School District	.0256	.0241	.0239	.0233	.0529
Los Gatos-Saratoga Joint Union High School District	.0516	.0423	.0469	.0457	.0304
West Valley-Mission Community College District	.0120	.0232	.0196	.0200	.0198
Midpeninsula Open Space District	--	.0008	.0006	.0009	.0018
Total All Property Tax Rate	1.1395%	1.1404%	1.1408%	1.1520%	1.1638%
Santa Clara Valley Water District State Water Project	.0065%	.0057%	.0086%	.0062%	.0042%
Total Land and Improvement Tax Rate	.0065%	.0057%	.0086%	.0062%	.0042%

**TRA 79-032 (Santa Cruz County Portion)<sup>(2)</sup>**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Loma Prieta Joint Union School District	.0256	.0241	.0239	.0233	.0529
Los Gatos-Saratoga Joint Union High School District	.0516	.0423	.0469	.0457	.0304
West Valley-Mission Community College District	.0120	.0232	.0196	.0200	.0198
Total All Property Tax Rate	1.0892%	1.0896%	1.0904%	1.0890%	1.1031%

(1) The fiscal year 2018-19 assessed valuation of TRA 72-004 is \$228,212,091.

(2) The fiscal year 2018-19 assessed valuation of TRA 79-032 is \$779,022,962.

Source: California Municipal Statistics, Inc.

## Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

### LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2018-19 Loma Prieta Joint Union Elementary School District

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
1. Larry Ray & Juana Joyce Carter, Trustees	Residence	\$9,937,318	0.77%
2. San Jose Water Works	Water Company	5,967,499	0.46
3. 23760 Alamitos Road LLC	Recreational Cabins/Open Space	5,386,847	0.42
4. Nestldown Ranch LLC	Residence	5,201,435	0.40
5. Kaya & Margaret A. Erk	Residence	4,352,757	0.34
6. Holy City LLC	Agricultural/Rural	4,049,712	0.32
7. John & Lisa Walker Connors	Residence	3,459,330	0.27
8. Simpson-Bint Family Trust	Residence	3,381,300	0.26
9. Boundless Ventures LLC	Residence	3,243,241	0.25
10. Mark H. & Rebecca J. Smith	Residence	3,119,076	0.24
11. Robert J. & Tiffany J. Gallup	Residence	3,017,110	0.23
12. John F. & Anne M. Fowler	Residence	3,012,344	0.23
13. Marcel D. Depaolis	Residence	2,913,620	0.23
14. Reza & Meena K. Almaneih	Residence	2,782,688	0.22
15. Rebecca Lynne & Daniel Willard Yoder Jr.	Residence	2,748,104	0.21
16. Northstar Properties LLC	Winery/Vineyards	2,636,149	0.21
17. Mohammad Minhaj Khokhar	Recreational Cabins/Open Space	2,545,265	0.20
18. Lokteff Winery & Vineyards LLC	Winery/Vineyards	2,516,192	0.20
19. Daniel H. Dwyer	Residence	2,496,552	0.19
20. Timothy Scott & Kelli Jean Nelson, Trustees	Residence	<u>2,478,221</u>	<u>0.19</u>
		<u>\$75,244,760</u>	<u>5.85%</u>

<sup>(1)</sup> The fiscal year 2018-19 local secured assessed valuation of the District is \$1,285,604,803.

Source: California Municipal Statistics, Inc.

## Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated as of January 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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



The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING DEBT  
Loma Prieta Joint Union Elementary School District**

2018-19 Assessed Valuation: \$1,288,542,950

<u><b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b></u>	<u><b>% Applicable</b></u>	<u><b>Debt 1/1/19</b></u>
Santa Clara County	0.057%	\$539,915
Cabrillo Joint Community College District	0.025	25,336
Gavilan Joint Community College District	0.011	9,761
West Valley-Mission Community College District	0.904	4,387,202
Los Gatos-Saratoga Joint Union High School District	4.839	4,633,826
<b>Loma Prieta Joint Union School District</b>	<b>100.000</b>	<b>3,169,840<sup>(1)</sup></b>
Midpeninsula Regional Open Space District	0.080	73,968
Santa Cruz Libraries Facilities Financing Authority		
Community Facilities District No. 2016-1	2.440	510,448
Santa Clara Valley Water District Benefit Assessment District	0.057	<u>46,902</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$13,397,198</b>

<u><b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b></u>		
Santa Cruz County General Fund Obligations	2.207%	\$1,517,734
Santa Cruz County Board of Education Certificates of Participation	2.207	191,797
Santa Clara County General Fund and Pension Obligation Bonds	0.057	619,602
Santa Clara County Board of Education Certificates of Participation	0.057	2,841
Gavilan Joint Community College District Certificates of Participation	0.011	1,520
West Valley-Mission Community College District General Fund Obligations	0.904	562,288
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	4.839	186,931
<b>Loma Prieta Joint Union School District Lease Revenue Bonds</b>	<b>100.000</b>	<b>330,000</b>
Midpeninsula Regional Open Space District General Fund Obligations	0.080	93,960
Santa Clara County Vector Control District Certificates of Participation	0.057	<u>1,408</u>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$3,508,081</b>
<b>COMBINED TOTAL DEBT</b>		<b>\$16,905,279<sup>(2)</sup></b>

**Ratios to 2018-19 Assessed Valuation:**

<b>Direct Debt (\$3,169,840)</b> .....	<b>0.25%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.04%
<b>Combined Direct Debt (\$3,499,840)</b> .....	<b>0.27%</b>
Combined Total Debt .....	1.31%

(1) Excludes the Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

*The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the Counties for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes on behalf of the District and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Counties to levy property taxes for payment of the principal of and interest on the Bonds. The tax levied by the Counties for payment of the Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.*

### **Article XIII A of the California Constitution**

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the adjusted base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the Counties to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR PAYMENT OF BONDS – Assessed Valuations” herein.

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

the approval of two-thirds or more of all members of the legislature of the State (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

### **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 relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the State Supreme Court have upheld the general validity of Article XIII A.

### **Proposition 50 and Proposition 171**

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located

within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

### **Unitary Property**

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

### **Article XIII B of the California Constitution**

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

- (a) “change in the cost of living” with respect to school districts and community college districts (collectively “K-14 school districts”) to mean the percentage change in State per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year

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

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

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

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

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

#### **Article XIII C and Article XIII D of the California Constitution**

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

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the Counties pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries

encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC 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 XIID. 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.

### **Propositions 98 and 111**

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

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the

prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (“Test 2”). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the governing board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the governing board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district, such as the District, or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

### **Proposition 1A and Proposition 22**

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues



without providing local governments with equal replacement funding. The State may shift from schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

### **Proposition 30 and Proposition 55**

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. 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 \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the

temporary personal income tax increases are being 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 school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

### **Jarvis v. Connell**

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

### **Proposition 2**

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

### **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.

***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 district lacks 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 schools (\$500 million) and technical education facilities (\$500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts 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.

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

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## **DISTRICT FINANCIAL INFORMATION**

*The information in this section concerning State funding of public education 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 are payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the Counties within the boundaries of the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

### **State Funding of Education**

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

***Revenue Limit Funding.*** Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been

funded based on a uniform system of funding grants assigned to certain grade spans. See “– Local Control Funding Formula” herein.

The following table reflects the District’s historical ADA and the revenue limit rates per unit of ADA for fiscal years 2008-09 through 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT**  
**Fiscal Years 2008-09 through 2012-13**  
**Loma Prieta Joint Union Elementary School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u> <sup>(1)</sup>	<u>Revenue Limit Per ADA</u> <sup>(2)</sup>	<u>Deficit Revenue Limit Per ADA</u> <sup>(2)</sup>	<u>Enrollment</u>
2008-09	391.17	\$5,862	\$5,402	405
2009-10	389.27	6,120	4,997	410
2010-11	402.90	6,118	5,019	415
2011-12	421.84	6,242	4,956	445
2012-13	437.55	6,437	5,003	458

Note: All numbers are rounded to the nearest whole.

<sup>(1)</sup> Reflects ADA as of the second principal reporting period (“P-2 ADA”), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.

<sup>(2)</sup> Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein) in fiscal year 2013-14.

Source: *Loma Prieta Joint Union Elementary School District.*

**Local Control Funding Formula.** State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”), enacted as part of the fiscal year 2013-14 State budget, established the current system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) (“SB 91”).

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. 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 has been 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 have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs 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. See “– State Budget Measures” herein for information on the adjusted Base Grants provided by current State budgetary legislation.

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

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed 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.

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The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2017-18, and projected figures for fiscal year 2018-19.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Fiscal Years 2012-13 through 2018-19**  
**Loma Prieta Joint Union Elementary School District**

<b>Fiscal Year</b>	<b>Average Daily Attendance<sup>(1)</sup></b>			<b>Enrollment<sup>(2)</sup></b>		
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>Total ADA</b>	<b>Total Enrollment</b>	<b>% of EL/LI Enrollment<sup>(3)</sup></b>
2012-13	188.46	145.50	103.59	437.55	458	n/a
2013-14	198.51	154.52	125.46	478.49	493	5.48
2014-15	174.39	173.34	130.55	478.28	496	6.25
2015-16	167.28	184.83	123.09	475.20	491	5.40
2016-17	154.12	193.98	137.42	485.52	507	5.29
2017-18	161.51	175.06	143.97	480.54	505	5.85
2018-19	171.84 <sup>(4)</sup>	152.64 <sup>(4)</sup>	153.60 <sup>(4)</sup>	478.08 <sup>(4)</sup>	498	7.28

<sup>(1)</sup> Reflects P-2 ADA.

<sup>(2)</sup> Fiscal year 2012-13 reflects enrollment as of the October CBEDS report. Fiscal years 2013-14 through 2018-19 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures generally exclude preschool and adult transitional students.

<sup>(3)</sup> For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students was based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Prior to fiscal year 2013-14 the percentage of unduplicated EL/LI students was not calculated.

<sup>(4)</sup> Projected.

Source: Loma Prieta Joint Union Elementary School 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 COLAs 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, yields 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 State Legislature to school districts.

Certain school districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to

satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District currently qualifies as a community supported district and expects to remain a community supported district after the LCFF is fully implemented. The District has projected that local property tax receipts will exceed the District’s total LCFF allocation by approximately \$164,000 in fiscal year 2018-19.

**Accountability.** The State Board of Education adopted 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 districts 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 updated annually, covering a three-year period. The State Board of Education has developed a template LCAP for school districts to use.

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

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district with identifying and implementing 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 with achieving the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic



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

***Other State Sources.*** In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

### **Other Revenue Sources**

***Federal and Local Sources.*** The federal government provides funding for several school district programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, developer fees and other local sources.

### **Budget Process**

***State Budgeting Requirements.*** The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

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

inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

A school district whose budget has been disapproved must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district's budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District has not had an adopted budget disapproved by the County superintendent of schools, and has not received a "qualified" or "negative" certification of an Interim Financial Report pursuant to AB 1200.

***General Fund Budgeting Trends.*** The table on the following page summarizes the District's adopted general fund budgets for fiscal years 2014-15 through 2018-19, audited actuals for fiscal years 2014-15 through 2017-18, and projected results for fiscal year 2018-19.

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**GENERAL FUND BUDGETING**  
**Fiscal Years 2014-15 through 2018-19**  
**Loma Prieta Joint Union Elementary School District**

	<u>Fiscal Year 2014-15</u>		<u>Fiscal Year 2015-16</u>		<u>Fiscal Year 2016-17</u>		<u>Fiscal Year 2017-18</u>		<u>Fiscal Year 2018-19</u>	
	<u>Adopted Budget<sup>(1)</sup></u>	<u>Audited Actuals<sup>(1)</sup></u>	<u>Adopted Budget<sup>(1)</sup></u>	<u>Audited Actuals<sup>(1)(2)</sup></u>	<u>Adopted Budget<sup>(1)</sup></u>	<u>Audited Actuals<sup>(1)</sup></u>	<u>Adopted Budget<sup>(1)</sup></u>	<u>Audited Actuals<sup>(1)</sup></u>	<u>Adopted Budget<sup>(3)</sup></u>	<u>Projected Results<sup>(3)</sup></u>
<b>REVENUES</b>										
LCFF Sources	\$3,126,387	\$3,509,564	\$3,566,366	\$3,739,647	\$3,936,214	\$4,020,299	\$4,184,654	\$4,409,218	\$4,428,419	\$4,451,779
Federal Sources	158,947	151,301	160,325	172,665	165,625	145,996	140,018	123,651	149,667	233,377
Other State Sources	374,072	328,014	158,103	534,697	358,443	583,643	261,543	391,168	298,663	402,288
Other Local Sources	<u>1,472,013</u>	<u>1,981,203</u>	<u>1,626,172</u>	<u>1,916,050</u>	<u>1,806,266</u>	<u>2,056,064</u>	<u>1,734,195</u>	<u>1,891,451</u>	<u>1,705,820</u>	<u>1,724,800</u>
<b>Total Revenues</b>	5,131,419	5,970,082	5,510,966	6,363,059	6,266,548	6,806,002	6,320,410	6,815,488	6,582,569	6,812,244
<b>EXPENDITURES</b>										
Certificated Salaries	1,989,610	2,216,443	2,195,894	2,407,240	2,391,313	2,436,432	2,489,549	2,626,407	2,648,866	2,681,762
Classified Salaries	1,161,660	1,195,373	1,208,334	1,438,099	1,383,574	1,472,246	1,426,772	1,473,464	1,370,746	1,472,249
Employee Benefits	815,275	902,087	899,058	1,110,746	1,210,290	1,220,519	1,346,091	1,336,617	1,407,389	1,511,876
Books & Supplies	274,395	305,945	291,693	259,156	260,060	312,051	227,036	287,572	255,829	385,243
Services & Other Operating Expenditures	764,003	684,295	676,090	652,733	871,136	797,374	795,585	1,041,945	949,870	1,102,384
Capital Outlay	162,500	302,165	77,250	80,725	50,000	109,786	--	--	20,000	--
Other Outgo (Excluding Transfers of Indirect Costs)	<u>40,000</u>	<u>30,645</u>	<u>120,511</u>	<u>53,715</u>	<u>207,341</u>	<u>13,525</u>	<u>275,836</u>	<u>129,106</u>	<u>29,236</u>	<u>253,753</u>
<b>Total Expenditures</b>	5,207,443	5,636,953	5,468,830	6,002,414	6,373,714	6,361,933	6,560,869	6,895,111	6,681,936	7,402,267
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(76,024)	333,129	42,136	360,645	(107,166)	444,069	(240,459)	(79,623)	(99,367)	(595,023)
<b>Other Financing Sources (Uses)</b>										
Transfers Out	<u>(116,777)</u>	<u>(200,000)</u>	--	<u>(256,055)</u>	--	--	--	<u>(200,000)</u>	--	--
<b>Net Financing Sources (Uses)</b>	(116,777)	(200,000)	--	(256,055)	--	--	(240,459)	(200,000)	--	--
<b>NET CHANGE IN FUND BALANCE</b>	(192,801)	133,129	42,136	104,590	(107,166)	444,069	(240,459)	(279,623)	(99,367)	(595,023)
<b>Fund Balance - Beginning</b>	<u>1,745,683</u>	<u>1,745,683</u>	<u>1,878,812</u>	<u>1,878,812</u>	<u>1,983,402<sup>(4)</sup></u>	<u>1,983,402</u>	<u>2,427,471</u>	<u>2,427,471</u>	<u>2,147,849</u>	<u>2,147,849</u>
<b>Fund Balance - Ending</b>	<u>\$1,552,882</u>	<u>\$1,878,812</u>	<u>\$1,920,948</u>	<u>\$1,983,402</u>	<u>\$1,876,236</u>	<u>\$2,427,471</u>	<u>\$2,187,012</u>	<u>\$2,147,848</u>	<u>\$2,048,482</u>	<u>\$1,552,826</u>

Note: Totals may not sum to totals due to rounding.

(1) From the District's comprehensive audited financial statements for fiscal years 2014-15 through 2017-18, respectively.

(2) The actual amounts reported do not agree with the amounts reported on the Audited General Fund Revenues, Expenditures and Fund Balances table herein because services and other operating expenditures totaling \$5,811 related to an adjusting journal entry is not included in the actual expenditures reported above.

(3) From the District's 2018-19 First Interim Report approved by the Board on December 12, 2018.

(4) Revised to reflect actual beginning fund balance.

Source: Loma Prieta Joint Union Elementary School District.

## **Comparative Financial Statements**

Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years, are on file with the District and available for public inspection at the office of the Chief Business Official, 23800 Summit Road, Los Gatos, California 95033, telephone: (408) 353-1101. The District's audited financial statements for the year ended June 30, 2018 are attached hereto as APPENDIX B.

The table on the following page shows the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

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**AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES**  
**Fiscal Years 2013-14 through 2017-18**  
**Loma Prieta Joint Union Elementary School District<sup>(1)</sup>**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16<sup>(2)</sup></u>	<u>2016-17</u>	<u>2017-18</u>
<b>REVENUES:</b>					
Revenue Limit/LCFF Sources	\$3,332,526	\$3,509,564	\$3,739,647	\$4,020,299	\$4,409,218
Federal Sources	194,807	151,301	172,665	145,996	123,651
Other State Sources	324,962	328,014	534,697	583,643	391,168
Other Local Sources	<u>1,571,421</u>	<u>1,981,203</u>	<u>1,916,050</u>	<u>2,056,064</u>	<u>1,891,451</u>
Total Revenues	5,423,716	5,970,082	6,363,059	6,806,002	6,815,488
<b>EXPENDITURES:</b>					
<b>Current</b>					
Instruction	2,700,988	3,134,111	3,436,938	3,617,665	4,028,422
Instruction-related Services					
Instructional Supervision and Administration	163,212	187,098	185,281	134,973	109,538
Instructional Library, Media, and Technology	51,990	57,306	183,658	238,253	180,974
School Site Administration	269,722	292,252	327,265	434,500	532,838
Pupil Services					
Home-to-school Transportation	362,590	377,363	271,387	234,702	253,934
Food Services	17,677	20,559	18,519	19,732	14,061
All Other Pupil Services	111,399	108,715	65,474	88,073	56,816
General Administration					
Centralized Data Processing	--	26,896	87,925	46,156	10,476
All Other Administration	603,008	635,618	685,076	559,689	769,643
Plant Services	467,064	498,908	492,874	689,080	591,369
Facilities Acquisition and Maintenance	4,090	90,953	4,704	72,587	--
Ancillary Services	--	28,482	25,169	57,117	53,957
Community Services	139,637	148,047	158,618	155,881	163,977
Transfers to Other Agencies	--	--	6,445	6,255	110,328
Debt service					
Principal	16,858	25,535	39,763	5,867	12,569
Interest and Other	<u>1,859</u>	<u>5,110</u>	<u>7,507</u>	<u>1,403</u>	<u>6,209</u>
Total Expenditures	4,910,094	5,636,953	5,996,603	6,361,933	6,895,111
Excess (Deficiency) of Revenues Over Expenditures	513,622	333,129	366,456	444,069	(79,623)
<b>Other Financing Sources (Uses)</b>					
Transfers In	7,381	--	--	--	--
Transfers Out	<u>(150,645)</u>	<u>(200,000)</u>	<u>(256,055)</u>	--	<u>(200,000)</u>
Net Financing Sources (Uses)	(143,264)	(200,000)	(256,055)	--	(200,000)
<b>NET CHANGE IN FUND BALANCE</b>					
	370,358	133,129	110,401	444,069	(279,623)
Fund Balances – Beginning	<u>1,375,325</u>	<u>1,745,683</u>	<u>1,878,812</u>	<u>1,983,402<sup>(2)</sup></u>	<u>2,427,471</u>
Fund Balances – Ending	<u>\$1,745,683</u>	<u>\$1,878,812</u>	<u>\$1,989,213</u>	<u>\$2,427,471</u>	<u>\$2,147,848</u>

(1) From the District's audited financial statements for fiscal years 2013-14 through 2017-18, respectively. Reflects combined restricted and unrestricted general fund.

(2) The audited amounts reported do not agree with the amounts reported on the General Fund Budgeting table herein because services and other operating expenditures totaling \$5,811 related to an adjusting journal entry is included in the audited expenditures reported above.

Source: Loma Prieta Joint Union Elementary School District.

## Accounting Practices

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

## State Budget Measures

*The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the Counties in an amount sufficient for the payment thereof.*

**2018-19 Budget.** On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over \$4.4 billion, including a \$2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the \$2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of \$129.8 billion and total expenditures of \$127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of \$16.7 billion, including \$7.3 billion in the traditional general fund reserve and \$9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of \$133.3 billion and authorizes expenditures of \$138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$15.9 billion, including \$2.0 billion in the traditional general fund reserve, \$13.8 billion in the BSA and \$200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at \$71.6 billion, an increase of \$252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at \$75.6 billion, reflecting an increase of \$1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of \$789 million, on top of a previous \$536 million payment. After making the approximately \$1.3 billion

total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at \$78.4 billion, reflecting an increase of \$2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a “Test 2” year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at \$67.9 billion, including \$47.5 billion from the State general fund, reflecting an increase of \$1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by \$579 (or 5.2%) from the prior year, up to \$11,640.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: \$8,235 for grades K-3, \$7,571 for grades 4-6, \$7,796 for grades 7-8 and \$9,269 for grades 9-12.
- *Low-Performing Students Block Grant* – \$300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.
- *State System of Support* – An increase of \$54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.
- *California Collaborative for Educational Excellence* – \$12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the “Collaborative”) to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates \$5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.
- *Special Education Local Plan Area (SELPA) Technical Assistance* – \$10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.
- *Career Technical Education (CTE)* – \$164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor’s Office, in consultation with the State Department of Education, as well as \$150 million in ongoing Proposition 98 funding to make permanent the State’s Career Technical Education Incentive Grant Program.
- *One-Time Discretionary Funding* – An increase of \$1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – \$75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with \$50 million earmarked for special education teachers and \$25 million earmarked for bilingual and STEM teachers; and \$50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.
- *Classified School Employee Summer Assistance Program* – \$50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.
- *Classified School Employee Professional Development Block Grant Program* – \$50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.
- *Federal Funds for Academic Enrichment* – \$165 million one-time federal ESSA Title IV funding for academic enrichment, with \$121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.
- *Charter School Facility Grant Program* – \$21 million one-time and \$25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.
- *Kids Code After School Program* – \$15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.
- *Fiscal Crisis and Management Assistance Team (FCMAT)* – \$972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.
- *Kindergarten Facilities* – \$100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.
- *Proposition 51* – a total allocation of \$594 million in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

**Proposed 2019-20 Budget.** On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary, and the LAO's review, of the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of \$136.9 billion and total expenditures of \$144.1 billion. The State is projected to end the



2018-19 fiscal year with total available general fund reserves of \$18.3 billion, including \$3.9 billion in the traditional general fund reserve, \$13.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of \$142.6 billion and authorizes expenditures of \$144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.5 billion, including \$2.3 billion in the traditional general fund reserve, \$15.3 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10%. Under the Governor's new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at \$75.5 billion, a decrease of \$120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at \$77.9 billion, reflecting a decrease of \$525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a \$44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at \$80.7 billion, reflecting an increase of \$2.8 billion from the revised prior-year level. Fiscal year 2019-20 is projected to be a "Test 3" year. With respect to K-12 education, ongoing per-pupil spending is set at \$12,003, reflecting an increase of \$435 from the prior year.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LCFF funding to \$63 billion.
- *Categorical Programs* – An increase of \$187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.
- *Pension Costs* – A \$3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining \$2.3 billion would be paid towards employers' long-term unfunded liability.
- *State System of Support* – An increase of \$20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.
- *Special Education* – \$577 million in Proposition 98 funding (of which \$186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.

- *Preschool* – \$125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of \$26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.
- *Early Education* – An increase of \$750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes \$500 million for improvements to early education (including \$245 million for facilities, \$245 million for the child care workforce, and \$10 million to improve access and quality).
- *County Offices of Education* – An increase of \$9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO’s website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

**Future Actions.** The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

## **LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**

*The information in this section concerning the operations of the District and the District’s finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the Counties in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.*

### **Introduction**

The District, located at the summit of the Santa Cruz mountains between San Jose and Santa Cruz, California, occupies approximately 48 square miles the Counties. The District educates students at Loma Prieta Elementary School (K-5) and C.T. English Middle School (6-8). For fiscal year 2018-19, the District’s projected enrollment is 498 students and the District’s projected ADA is 478.08. The fiscal year 2018-19 assessed value of property within the District is \$1,288,542,950.

**Administration**

The District is governed by a five-member Board of Trustees, each of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The members of the Board, together with their office and the date their term expires, are listed in the table below.

**BOARD OF TRUSTEES**  
**Loma Prieta Joint Union Elementary School District**

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Deana A. Arnold	President	December 2022
Kerrie Mills	Vice President	December 2020
Ben Abeln	Trustee	December 2022
Ronald Bourque	Trustee	December 2022
Marco Menéndez	Trustee	December 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Chief Business Official follow:

***Lisa Fraser, Superintendent.*** Ms. Fraser was appointed by the Board as Superintendent effective July 1, 2018. Immediately prior thereto, Ms. Fraser served as Principal at a middle school in the Los Gatos Union School District. She has also previously held the positions of Principal and Assistant Principal at other schools. Ms. Fraser began her career in education as a middle school teacher. She earned a Bachelor’s degree in Human Performance and a Master’s degree in Educational Administration.

***Cathy Vance, Chief Business Official.*** Ms. Vance was appointed by the Board as Chief Business Official effective October 1, 2010. Immediately prior thereto, she held the position of Interim Director of the Business Office at Cabrillo College. Ms. Vance received a Master’s degree in Business Administration from University of Colorado, Boulder, and a Bachelor’s degree in Liberal Studies from San Jose State University. Ms. Vance also holds a California teaching credential.

**Labor Relations**

The District currently employs 28.5 full-time certificated non-management employees, 14.8 full-time classified non-management employees, and 8.9 full-time management and unrepresented employees. District employees, except management and some part-time employees, are represented by the two bargaining units as noted below.

**BARGAINING UNITS**  
**Loma Prieta Joint Union Elementary School District**

<u>Labor Organization</u>	<u>Number of Employees In Bargaining Unit</u>	<u>Contract Expiration Date</u>
The California Teachers Association	32	June 30, 2020
California School Employees Association	24	June 30, 2021

*Source: Loma Prieta Joint Union Elementary School District.*

## District Retirement Programs

*The information set forth below regarding the STRS and PERS, 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 be construed as a representation by either the District, Municipal Advisor, 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 under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

### MEMBER CONTRIBUTION RATES STRS (Defined Benefit Program)

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

*Source: AB 1469.*

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES  
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

*Source: AB 1469.*

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contributions to STRS were \$181,945 in fiscal year 2014-15, \$242,272 in fiscal year 2015-16, \$294,488 in fiscal year 2016-17, and \$354,956 in fiscal year 2017-18. The District projects \$426,161 for its contribution to STRS for fiscal year 2018-19.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

**PERS.** Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures or fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18 and will be 7% in fiscal year 2018-19. See "- California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$175,228 in fiscal year 2014-15, \$201,941 in fiscal year 2015-16, \$237,150 in fiscal year 2016-17, and \$248,977 in fiscal year 2017-18. The District projects \$289,888 for its contribution to PERS 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](http://www.calstrs.com); (ii) PERS: [www.calpers.ca.gov](http://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 table on the following page summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS (Schools Pool)**  
**(Dollar Amounts in Millions)<sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2016-17**

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)<sup>(2)</sup></u>	<u>Unfunded Liability (MVA)<sup>(2)</sup></u>	<u>Value of Trust Assets (AVA)<sup>(3)</sup></u>	<u>Unfunded Liability (AVA)<sup>(3)</sup></u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)<sup>(3)</sup></u>	<u>Unfunded Liability (AVA)<sup>(3)</sup></u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	73,325	56,814	16,511	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	77,544	55,785	21,759	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2016-17	84,416	60,865	23,551	-- <sup>(4)</sup>	-- <sup>(4)</sup>

<sup>(1)</sup> Amounts may not add due to rounding.

<sup>(2)</sup> Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

<sup>(3)</sup> Reflects actuarial value of assets.

<sup>(4)</sup> Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions

received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.



Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The Schools Pool Actuarial Valuation as of June 30, 2017, reported that, based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.7%, with annual increases thereafter, resulting in a projected 25.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. 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 Employees' 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 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 (previously 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 (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), 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.

For fiscal year ending June 30, 2018, the District’s proportionate share of the net STRS pension liability was reported as \$4,026,689. As of such date, the District’s proportionate share of the net PERS pension liability was reported as \$2,396,385. See “APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9” attached hereto for more information.

### **Other Postemployment Benefits**

The District does not provide employees with other post-employment benefits.

## Early Retirement Incentive

The District issued an early retirement incentive under Public Agency Retirement Services to two employees – one certificated employee, who retired in June 2016, and one classified employee, who retired in June 2018. Future payments as of June 30, 2018 are as shown in the following table.

### EARLY RETIREMENT INCENTIVE PAYMENTS Loma Prieta Joint Union Elementary School District

Year Ended	
<u>June 30</u>	<u>Payment</u>
2019	\$10,781
2020	10,789
2021	5,766
2022	5,766
2023	<u>5,766</u>
Total	<u>\$38,868</u>

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Source: Loma Prieta Joint Union Elementary School District.

## Risk Management

The District is a member of the Santa Clara County Schools' Insurance Group joint powers authority (the "SCCSIG"). The District pays an annual premium to the SCCSIG for its health, workers' compensation, and property liability coverage. The relationships between the District and the SCCSIG is such that the risk pools are not component units of the District for financial reporting purposes.

**Property and Liability.** The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District contracts with Santa Clara County Schools Insurance Group (the "SCCSIG") for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation.** The District participates in the SCCSIG, an insurance purchasing pool. The intent of the SCCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SCCSIG. The workers' compensation base rate for participating members is calculated as one experience. Each participating member experience is then modified for its individual rate. Participation in the SCCSIG is limited to districts that can meet the SCCSIG selection criteria.

**Employee Medical Benefits.** The District has contracted with the SCCSIG to provide employee medical and surgical benefits, with the District's annual cost capped at \$8,487 per employee. Rates are set through an annual underwriting process. The District pays a monthly premium for employees who are enrolled in the Anthem Blue Cross and Kaiser plans.

## District Debt Structure

**Short-Term Obligations.** On July 12, 2018, the District issued \$550,000 of tax revenue anticipation notes at a yield of 1.600% maturing on June 28, 2019, to provide moneys to meet the District's anticipation cash flow needs for fiscal year ending June 30, 2019 created by timing differences between its anticipated expenditures for fiscal year 2018-19 and its estimated receipt or accrual of certain revenues.

**Long-Term Obligations.** A schedule of changes in long-term debt for the fiscal year ended June 30, 2018, is shown below:

	<b>Balance</b> <b>July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b> <b>June 30, 2018</b>
Governmental Activities				
General obligation bonds	\$5,454,678	\$56,428	\$210,000	\$5,301,106
Unamortized premium	<u>282,667</u>	--	<u>47,111</u>	<u>235,556</u>
Total general obligation bonds	5,737,345	56,428	257,111	5,536,662
2015 Lease	430,000	--	49,000	381,000
Energy Loan	75,155	--	5,925	69,230
Early retirement incentive	15,043	28,830	5,015	38,858
Compensated absences	24,320	--	15,657	8,663
Net pension liability	<u>5,671,113</u>	<u>751,961</u>	--	<u>6,423,074</u>
Total	<u>\$11,952,976</u>	<u>\$837,219</u>	<u>\$332,708</u>	<u>\$12,457,487</u>

Source: Loma Prieta Joint Union Elementary School District.

**General Obligation Bonds.** The District received authorization at an election held on March 5, 2002, by at least 55% of the votes cast by eligible voters within the District, to issue \$4,965,000 maximum principal amount of general obligation bonds (the “2002 Authorization”). On August 8, 2002, the District caused the issuance of its Election of 2002 General Obligation Bonds, Series A (Bank Qualified) in the aggregate principal amount of \$3,404,927.35 (the “2002 Series A Bonds”). On November 6, 2003, the District caused the issuance of its Election of 2002 General Obligation Bonds, Series B (Bank Qualified) in the aggregate principal amount of \$1,559,913.40 (the “2002 Series B Bonds”). On May 28, 2013, the District issued its 2013 General Obligation Refunding Bonds (Bank Qualified) in the aggregate principal amount of \$2,745,000 to refund portions of the then-outstanding 2002 Series A Bonds and 2002 Series B Bonds (the “2013 Refunding Bonds”).

The 2018 Authorization was the result of an election held on June 5, 2018 and approved by at least 55% of the votes cast by eligible voters within the District to issue \$10,600,000 maximum principal amount of general obligation bonds. The Bonds are the first series of bonds issued under the 2018 Authorization, and following the issuance thereof, \$7,000,000 of the 2018 Authorization will remain unissued.

The table on the following page shows the annual debt service for all of the District’s outstanding general obligation bonds (assuming no optional redemptions).

**OUTSTANDING BONDED INDEBTEDNESS**  
**Loma Prieta Joint Union Elementary School District**

<b>Matures August 1</b>	<b>2002 Series A Bonds</b>	<b>2002 Series B Bonds</b>	<b>2013 Refunding Bonds</b>	<b>The Bonds</b>	<b>Combined Annual Debt Service</b>
2019	--	--	\$310,325.00	\$438,670.83	\$748,995.83
2020	--	--	320,125.00	458,937.50	779,062.50
2021	--	--	334,125.00	392,337.50	726,462.50
2022	--	--	347,125.00	114,237.50	461,362.50
2023	--	--	364,125.00	119,237.50	483,362.50
2024	\$390,000.00	--	36,581.26	124,037.50	550,618.76
2025	410,000.00	--	30,750.00	128,637.50	569,387.50
2026	--	\$465,000.00	--	133,037.50	598,037.50
2027	495,000.00	--	--	137,237.50	632,237.50
2028	--	505,000.00	--	141,237.50	646,237.50
2029	--	530,000.00	--	145,037.50	675,037.50
2030	--	550,000.00	--	148,637.50	698,637.50
2031	--	575,000.00	--	157,387.50	732,387.50
2032	--	600,000.00	--	160,825.00	760,825.00
2033	--	625,000.00	--	169,106.26	794,106.26
2034	--	650,000.00	--	172,075.00	822,075.00
2035	--	660,000.00	--	179,887.50	839,887.50
2036	--	660,000.00	--	187,187.50	847,187.50
2037	--	660,000.00	--	189,150.00	849,150.00
2038	--	660,000.00	--	195,943.76	855,943.76
2039	--	--	--	207,400.00	207,400.00
2040	--	--	--	212,600.00	212,600.00
2041	--	--	--	217,400.00	217,400.00
2042	--	--	--	226,800.00	226,800.00
2043	--	--	--	235,600.00	235,600.00
2044	--	--	--	243,800.00	243,800.00
2045	--	--	--	254,087.50	254,087.50
2046	--	--	--	258,325.00	258,325.00
2047	--	--	--	271,775.00	271,775.00
2048	--	--	--	278,912.50	278,912.50
<b>Total</b>	<b><u>\$1,295,000.00</u></b>	<b><u>\$7,140,000.00</u></b>	<b><u>\$1,743,156.26</u></b>	<b><u>\$6,299,545.85</u></b>	<b><u>\$16,477,702.11</u></b>

Source: Loma Prieta Joint Union Elementary School District.

**Lease Purchase Agreement.** In January 2015, the District entered into a privately placed lease purchase agreement in the aggregate principal amount of \$527,500 (the “2015 Lease”). The District’s future lease payments with respect to the 2015 Lease are as follows:

**LEASE PAYMENTS**  
**Loma Prieta Joint Union Elementary School District**

<u>Period Ending</u> <u>December 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual</u> <u>Lease Payments</u>
2019	\$52,000.00	\$7,293.00	\$59,293.00
2020	53,000.00	6,143.80	59,143.80
2021	54,000.00	4,972.50	58,972.50
2022	56,000.00	3,779.10	59,779.10
2023	57,000.00	2,541.50	59,541.50
2024	58,000.00	1,281.80	59,281.80
Total	<u>\$330,000.00</u>	<u>\$26,011.70</u>	<u>\$356,011.70</u>

*Source: Loma Prieta Joint Union Elementary School District.*

**Energy Conservation Assistance Loan Agreement.** On April 24, 2013, the District entered into an Energy Conservation Loan Agreement (the “Loan”) with the California Energy Commission in the amount of \$85,000 to fund energy-retrofitting projects throughout the District. The Loan bears interest at a rate of 1.00% and matures through 2029. The District expects to pay the debt service on the Loan with savings in energy costs resulting from the energy-retrofitting projects. The following table shows the future Loan payments as of June 30, 2018.

**ENERGY CONSERVATION ASSISTANCE LOAN AGREEMENT**  
**Loma Prieta Joint Union Elementary School District**

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$5,985	\$677	\$6,662
2020	6,043	619	6,662
2021	6,105	557	6,662
2022	6,167	496	6,663
2023	6,228	434	6,662
2024-2028	32,090	1,221	33,311
2029	6,612	50	6,662
Total	<u>\$69,230</u>	<u>\$4,054</u>	<u>\$73,284</u>

*Source: Loma Prieta Joint Union Elementary School District.*

**TAX MATTERS**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public)

constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Bond Owner of the Bonds is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

**SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES**

OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

**LIMITATION ON REMEDIES; BANKRUPTCY**

*General.* State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.



**Statutory Lien.** Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See “THE BONDS – Security and Sources of Payment” herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of “special revenues” within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

**Special Revenues.** If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

**Possession of Tax Revenues; Remedies.** The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s pooled investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – SANTA CLARA COUNTY INVESTMENT POOL” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

**Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights.** The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## LEGAL MATTERS

### Legality for Investment in California

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

## **Enhanced Reporting Requirements**

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”), interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

## **Continuing Disclosure**

***Current Undertaking.*** In connection with the issuance of the Bonds, the District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE ” attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

***Prior Undertakings.*** Within the last five years, the District has failed to file in a timely manner a portion of the annual report for fiscal year 2012-13 as well as notices of certain listed events.

## **Bank Qualified**

The District will designate the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code (as defined herein).

## **Absence of Material Litigation**

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

## **Financial Statements**

The District’s audited financial statements with supplemental information for the year ended June 30, 2018, the independent auditor’s report of the District, and the related statements of activities and cash flows for the year then ended, and the report dated December 11, 2018 of Christy White Associates, A Professional Accounting Corporation (the “Auditor”), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit

information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **Legal Opinion**

The legal opinion of Bond Counsel, approving the validity of the Bonds will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

## **MISCELLANEOUS**

### **Rating**

S&P has assigned the rating of “AA” to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained therefrom. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access (“EMMA”) website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See “LEGAL MATTERS – Continuing Disclosure” herein and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

### **Underwriting**

Piper Jaffray & Co. (the “Underwriter”) has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of \$3,746,042.60 (consisting of the principal amount thereof, plus net original issue premium of \$164,042.60, less an underwriting discount of \$18,000.00).

The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

**Underwriter Disclosure.** The Underwriter has provided the following information for inclusion in this Official Statement:

The Underwriter has entered into a distribution agreement (the “Schwab Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

**Additional Information**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

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

LOMA PRIETA JOINT UNION ELEMENTARY  
SCHOOL DISTRICT

By: \_\_\_\_\_ /s/ Lisa Fraser  
Superintendent

## APPENDIX A

### FORM OF OPINION OF BOND COUNSEL

*Upon the issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

February 13, 2019

Board of Trustees  
Loma Prieta Joint Union Elementary School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$3,600,000 Loma Prieta Joint Union Elementary School District (Santa Clara and Santa Cruz Counties, California) Election of 2018 General Obligation Bonds, Series A (Bank Qualified) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a vote of 55% or more of the qualified electors of the Loma Prieta Joint Union Elementary School District (the "District") voting at an election held on June 5, 2018, and a resolution adopted on December 12, 2018 by the Board of Trustees of the District (the "Resolution").
2. 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* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original

issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not 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. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

**APPENDIX B**

**2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

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# LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
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**JUNE 30, 2018**

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Loma Prieta Joint Union Elementary School District  
Los Gatos, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loma Prieta Joint Union Elementary School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Loma Prieta Joint Union Elementary School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

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*Licensed by the California*

*State Board of Accountancy*

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Loma Prieta Joint Union Elementary School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Loma Prieta Joint Union Elementary School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 on our consideration of Loma Prieta Joint Union Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Loma Prieta Joint Union Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Loma Prieta Joint Union Elementary School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 11, 2018

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

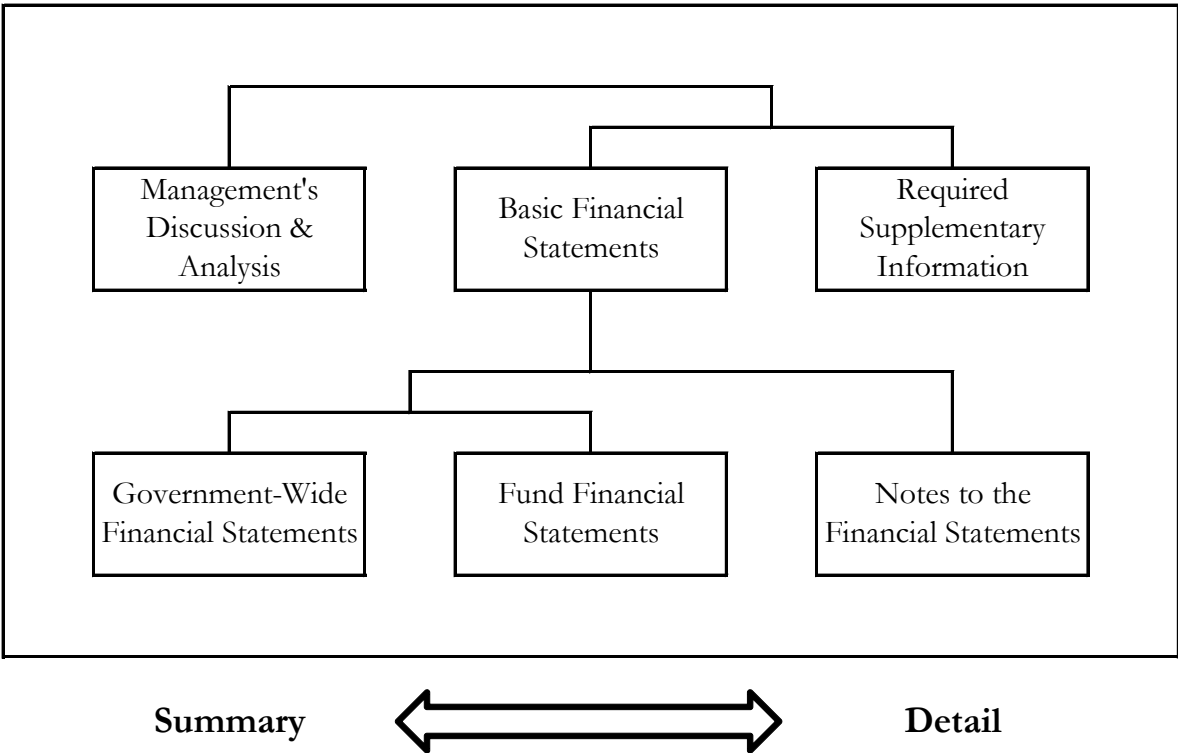
Our discussion and analysis of Loma Prieta Joint Union Elementary School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ The District's total net position was \$1,417,216 at June 30, 2018. This was an increase of \$1,537,873 from the prior year.
- ▶ Overall expenses were \$7,597,599 which exceeded revenues of \$7,099,820.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**





**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Property Taxes and federal and state grants finance most of these activities.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$1,417,216 at June 30, 2018, as reflected in the table below. Of this amount, (\$2,851,446) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 3,810,173	\$ 3,788,914	\$ 21,259
Capital assets	8,398,432	6,855,174	1,543,258
<b>Total Assets</b>	<b>12,208,605</b>	<b>10,644,088</b>	<b>1,564,517</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,435,757</b>	<b>1,632,312</b>	<b>803,445</b>
<b>LIABILITIES</b>			
Current liabilities	622,723	458,518	164,205
Long-term liabilities	12,107,610	11,635,925	471,685
<b>Total Liabilities</b>	<b>12,730,333</b>	<b>12,094,443</b>	<b>635,890</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>496,813</b>	<b>302,614</b>	<b>194,199</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,904,690	3,213,332	(308,642)
Restricted	1,363,972	1,165,960	198,012
Unrestricted	(2,851,446)	(4,499,949)	1,648,503
<b>Total Net Position</b>	<b>\$ 1,417,216</b>	<b>\$ (120,657)</b>	<b>\$ 1,537,873</b>

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 55,334	\$ 45,789	\$ 9,545
Operating grants and contributions	676,112	1,265,044	(588,932)
General revenues			
Property taxes	5,059,146	4,662,752	396,394
Unrestricted federal and state aid	473,073	496,306	(23,233)
Other	836,155	732,935	103,220
<b>Total Revenues</b>	<b>7,099,820</b>	<b>7,202,826</b>	<b>(103,006)</b>
<b>EXPENSES</b>			
Instruction	3,982,738	3,903,653	79,085
Instruction-related services	834,023	848,724	(14,701)
Pupil services	398,294	410,118	(11,824)
General administration	798,348	622,502	175,846
Plant services	1,160,574	971,849	188,725
Ancillary and community services	221,966	215,089	6,877
Debt service	132,078	301,332	(169,254)
Other outgo	69,578	(34,495)	104,073
<b>Total Expenses</b>	<b>7,597,599</b>	<b>7,238,772</b>	<b>358,827</b>
Transfers & special items	2,035,652	-	2,035,652
<b>Change in net position</b>	<b>1,537,873</b>	<b>(35,946)</b>	<b>1,573,819</b>
<b>Net Position - Beginning</b>	<b>(120,657)</b>	<b>(84,711)</b>	<b>(35,946)</b>
<b>Net Position - Ending</b>	<b>\$ 1,417,216</b>	<b>\$ (120,657)</b>	<b>\$ 1,537,873</b>

The cost of all our governmental activities this year was \$7,597,599 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$5,059,146 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions as well as other general revenues.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2018</b>	<b>2017</b>
Instruction	\$ 3,514,638	\$ 3,141,471
Instruction-related services	785,291	748,014
Pupil services	374,242	378,147
General administration	796,466	382,433
Plant services	1,160,574	959,025
Ancillary and community services	209,372	215,089
Debt service	132,078	301,332
Transfers to other agencies	(106,508)	(197,572)
<b>Total Expenses</b>	<b>\$ 6,866,153</b>	<b>\$ 5,927,939</b>

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$3,564,997, which is less than last year's ending fund balance of \$3,678,708. The District's General Fund had \$79,623 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Building Fund had \$61,309 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Special Reserve Fund for Capital Outlay Projects had \$2,187,001 less in operating revenues than expenditures for the year ended June 30, 2018, and net other financing sources of \$2,356,361, leading to an increase in fund balance of \$169,360 from the prior year.

**CURRENT YEAR BUDGET 2017-2018**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017-2018 the District had invested \$8,398,432 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 118,300	\$ 118,300	\$ -
Construction in progress	2,156,361	-	2,156,361
Buildings & improvements	13,777,857	14,676,472	(898,615)
Furniture & equipment	932,105	950,159	(18,054)
Accumulated depreciation	(8,586,191)	(8,889,757)	303,566
<b>Total Capital Assets</b>	<b>\$ 8,398,432</b>	<b>\$ 6,855,174</b>	<b>\$ 1,543,258</b>

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end, the District had \$12,107,610 in long-term debt, an increase of 4.5% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 5,536,662	\$ 5,737,345	\$ (200,683)
Lease revenue bonds	381,000	430,000	(49,000)
Energy loan	69,230	75,155	(5,925)
Early retirement incentive	38,858	15,043	23,815
Compensated absences	8,663	24,320	(15,657)
Net pension liability	6,423,074	5,671,113	751,961
Less: current portion of long-term debt	(349,877)	(317,051)	(32,826)
<b>Total Long-term Liabilities</b>	<b>\$ 12,107,610</b>	<b>\$ 11,635,925</b>	<b>\$ 471,685</b>

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Cathy Vance, Chief Business Official, Loma Prieta Joint Union Elementary School District, 23800 Summit Rd., Los Gatos, CA 95033.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 3,112,600
Accounts receivable	682,288
Prepaid expenses	15,285
Capital assets, not depreciated	2,274,661
Capital assets, net of accumulated depreciation	6,123,771
<b>Total Assets</b>	<b>12,208,605</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	2,423,033
Deferred amount on refunding	12,724
<b>Total Deferred Outflows of Resources</b>	<b>2,435,757</b>
<b>LIABILITIES</b>	
Accrued liabilities	271,646
Unearned revenue	1,200
Long-term liabilities, current portion	349,877
Long-term liabilities, non-current portion	12,107,610
<b>Total Liabilities</b>	<b>12,730,333</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	496,813
<b>Total Deferred Inflows of Resources</b>	<b>496,813</b>
<b>NET POSITION</b>	
Net investment in capital assets	2,904,690
Restricted:	
Capital projects	590,058
Debt service	253,696
Educational programs	520,218
Unrestricted	(2,851,446)
<b>Total Net Position</b>	<b>\$ 1,417,216</b>

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



**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 3,982,738	\$ 41,812	\$ 426,288	\$ (3,514,638)
Instruction-related services				
Instructional supervision and administration	107,952	3,643	7,243	(97,066)
Instructional library, media, and technology	188,388	-	31,599	(156,789)
School site administration	537,683	-	6,247	(531,436)
Pupil services				
Home-to-school transportation	326,707	251	-	(326,456)
Food services	14,061	3,532	2,424	(8,105)
All other pupil services	57,526	398	17,447	(39,681)
General administration				
Centralized data processing	10,476	-	-	(10,476)
All other general administration	787,872	-	1,882	(785,990)
Plant services	1,160,574	-	-	(1,160,574)
Ancillary services	53,798	-	12,594	(41,204)
Community services	168,168	-	-	(168,168)
Interest on long-term debt	132,078	-	-	(132,078)
Other outgo	69,578	5,698	170,388	106,508
<b>Total Governmental Activities</b>	<b>\$ 7,597,599</b>	<b>\$ 55,334</b>	<b>\$ 676,112</b>	<b>(6,866,153)</b>
General revenues				
Taxes and subventions				
				4,152,156
				297,672
				609,318
				473,073
				51,516
				332,992
				451,647
				<u>6,368,374</u>
				(497,779)
				2,035,652
				<u>2,035,652</u>
				1,537,873
				(120,657)
				<u>\$ 1,417,216</u>

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

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

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	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 1,773,377	\$ 488,659	\$ 461,215	\$ 389,349	\$ 3,112,600
Accounts receivable	596,531	2,104	82,355	1,298	682,288
Due from other funds	7,469	-	-	3,457	10,926
Prepaid expenditures	15,285	-	-	-	15,285
<b>Total Assets</b>	<b>\$ 2,392,662</b>	<b>\$ 490,763</b>	<b>\$ 543,570</b>	<b>\$ 394,104</b>	<b>\$ 3,821,099</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 241,958	\$ 1,067	\$ -	\$ 951	\$ 243,976
Due to other funds	1,656	9,270	-	-	10,926
Unearned revenue	1,200	-	-	-	1,200
<b>Total Liabilities</b>	<b>244,814</b>	<b>10,337</b>	<b>-</b>	<b>951</b>	<b>256,102</b>
<b>FUND BALANCES</b>					
Nonspendable	20,285	-	-	-	20,285
Restricted	520,218	480,426	543,570	327,854	1,872,068
Committed	238,695	-	-	65,299	303,994
Unassigned	1,368,650	-	-	-	1,368,650
<b>Total Fund Balances</b>	<b>2,147,848</b>	<b>480,426</b>	<b>543,570</b>	<b>393,153</b>	<b>3,564,997</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,392,662</b>	<b>\$ 490,763</b>	<b>\$ 543,570</b>	<b>\$ 394,104</b>	<b>\$ 3,821,099</b>

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

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2018**

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**Total Fund Balance - Governmental Funds** \$ 3,564,997

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$	16,984,623	
Accumulated depreciation		(8,586,191)	8,398,432

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

12,724

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(27,670)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$	5,536,662	
Lease revenue bonds		381,000	
Energy loan		69,230	
Early retirement incentive		38,858	
Compensated absences		8,663	
Net pension liability		6,423,074	(12,457,487)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$	2,423,033	
Deferred inflows of resources related to pensions		(496,813)	1,926,220

**Total Net Position - Governmental Activities** \$ 1,417,216

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 4,409,218	\$ -	\$ -	\$ 50,000	\$ 4,459,218
Federal sources	123,651	-	-	-	123,651
Other state sources	391,168	-	-	1,688	392,856
Other local sources	1,891,451	41,725	6,593	309,577	2,249,346
<b>Total Revenues</b>	<b>6,815,488</b>	<b>41,725</b>	<b>6,593</b>	<b>361,265</b>	<b>7,225,071</b>
<b>EXPENDITURES</b>					
Current					
Instruction	4,028,422	-	-	-	4,028,422
Instruction-related services					
Instructional supervision and administration	109,538	-	-	-	109,538
Instructional library, media, and technology	180,974	-	-	-	180,974
School site administration	532,838	-	-	-	532,838
Pupil services					
Home-to-school transportation	253,934	-	-	-	253,934
Food services	14,061	-	-	-	14,061
All other pupil services	56,816	-	-	-	56,816
General administration					
Centralized data processing	10,476	-	-	-	10,476
All other general administration	769,643	-	-	-	769,643
Plant services	591,369	8,338	860	17,379	617,946
Facilities acquisition and maintenance	-	55,333	2,192,734	-	2,248,067
Ancillary services	53,957	-	-	-	53,957
Community services	163,977	-	-	-	163,977
Transfers to other agencies	110,328	-	-	-	110,328
Debt service					
Principal	12,569	35,883	-	216,473	264,925
Interest and other	6,209	3,480	-	69,552	79,241
<b>Total Expenditures</b>	<b>6,895,111</b>	<b>103,034</b>	<b>2,193,594</b>	<b>303,404</b>	<b>9,495,143</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(79,623)</b>	<b>(61,309)</b>	<b>(2,187,001)</b>	<b>57,861</b>	<b>(2,270,072)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	200,000	-	200,000
Other sources	-	-	2,156,361	-	2,156,361
Transfers out	(200,000)	-	-	-	(200,000)
<b>Net Financing Sources (Uses)</b>	<b>(200,000)</b>	<b>-</b>	<b>2,356,361</b>	<b>-</b>	<b>2,156,361</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(279,623)</b>	<b>(61,309)</b>	<b>169,360</b>	<b>57,861</b>	<b>(113,711)</b>
<b>Fund Balance - Beginning</b>	<b>2,427,471</b>	<b>541,735</b>	<b>374,210</b>	<b>335,292</b>	<b>3,678,708</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,147,848</b>	<b>\$ 480,426</b>	<b>\$ 543,570</b>	<b>\$ 393,153</b>	<b>\$ 3,564,997</b>

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

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Net Change in Fund Balances - Governmental Funds** \$ (113,711)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

**Capital outlay:**

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 2,175,361	
Depreciation expense:	<u>(511,394)</u>	1,663,967

**Debt service:**

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

264,925

**Deferred amounts on refunding:**

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(6,361)

**Gain or loss from the disposal of capital assets:**

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(120,709)

**Unmatured interest on long-term debt:**

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

3,591

**Accreted interest on long-term debt:**

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(56,428)

**Continued on following page**

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 15,657

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (136,354)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: (23,815)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 47,111

<b>Change in Net Position of Governmental Activities</b>	\$ 1,537,873
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LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 26,604
<b>Total Assets</b>	<u>\$ 26,604</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 26,604
<b>Total Liabilities</b>	<u>\$ 26,604</u>

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

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.



LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*). Other authorized resources which may be transferred to the Special Reserve Fund are (1) proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 39363*); (2) rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code Section 41003*); and (3) excess amounts sufficient to pay all unpaid bond obligations (*Education Code Section 15235*).

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584* and *17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582* and *17583*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

**Government-Wide and Fiduciary Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Governmental Funds**

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

**Revenues – Exchange and Non-Exchange Transactions**

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

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. **Basis of Accounting – Measurement Focus (*continued*)**

**Revenues – Exchange and Non-Exchange Transactions, *continued***

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

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

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

**Expenses/Expenditures**

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

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Improvements	5 to 50 years
Equipment	2 to 15 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Compensated Absences, *continued***

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

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

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

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

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.



LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. This pronouncement did not have an impact on the financial statements as the District does not offer other postemployment benefits.

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 85** – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	\$ 3,107,600	\$ -
Cash on hand and in banks	-	26,604
Cash in revolving fund	5,000	-
<b>Total cash and investments</b>	<b>\$ 3,112,600</b>	<b>\$ 26,604</b>

B. Policies and Practices

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

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Santa Clara County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2018

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NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$3,082,692 and an amortized book value of \$3,107,600. The average weighted maturity for this pool is 479 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 2 – CASH AND INVESTMENTS (continued)

H. Fair Value (continued)

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

The District's fair value measurements at June 30, 2018 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 3,082,692
<b>Total fair market value of investments</b>	<u>\$ 3,082,692</u>

NOTE 3 – ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government					
Categorical aid	\$ 16,923	\$ -	\$ -	\$ -	\$ 16,923
State Government					
Categorical aid	43,803	-	-	-	43,803
Lottery	21,470	-	-	-	21,470
Local Government					
Other local sources	514,335	2,104	82,355	1,298	600,092
<b>Total</b>	<u>\$ 596,531</u>	<u>\$ 2,104</u>	<u>\$ 82,355</u>	<u>\$ 1,298</u>	<u>\$ 682,288</u>

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 118,300	\$ -	\$ -	\$ 118,300
Construction in progress	-	2,156,361	-	2,156,361
Total Capital Assets not Being Depreciated	118,300	2,156,361	-	2,274,661
Capital assets being depreciated				
Buildings & improvements	14,676,472	19,000	917,615	13,777,857
Furniture & equipment	950,159	-	18,054	932,105
Total Capital Assets Being Depreciated	15,626,631	19,000	935,669	14,709,962
Less Accumulated Depreciation				
Buildings & improvements	8,364,682	438,433	796,906	8,006,209
Furniture & equipment	525,075	72,961	18,054	579,982
Total Accumulated Depreciation	8,889,757	511,394	814,960	8,586,191
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 6,855,174</b>	<b>\$ 1,663,967</b>	<b>\$ 120,709</b>	<b>\$ 8,398,432</b>

Depreciation expense was allocated to the following functions for the year ended June 30, 2018:

Home-to-school transportation	\$ 60,870
Plant services	450,524
	\$ 511,394

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

Due To Other Funds	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 1,656	\$ 1,656
Building Fund	7,469	1,801	9,270
<b>Total Due From Other Funds</b>	<b>\$ 7,469</b>	<b>\$ 3,457</b>	<b>\$ 10,926</b>

Due From Building Fund to General Fund for routine lighting maintenance project.	\$ 7,469
Due From General Fund to Capital Facilities Fund for debt service on a property loan.	1,656
Due From Building Fund to Capital Facilities Fund for debt service on a property loan.	1,801
<b>Total</b>	<b>\$ 10,926</b>

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 5 – INTERFUND TRANSACTIONS, continued**

**B. Operating Transfers**

The individual interfund transfer for the year ended June 30, 2018 consisted of a transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for the contribution to cover expenditures for rebuilding of the community center and classrooms destroyed in the 2015 fire totaling \$200,000.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2018 consisted of the following:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Total Governmental Activities</b>
Construction	\$ -	\$ 1,067	\$ -	\$ -	\$ 1,067
Vendors payable	195,807	-	951	-	196,758
Unmatured interest	-	-	-	27,670	27,670
Other liabilities	46,151	-	-	-	46,151
<b>Total</b>	<b>\$ 241,958</b>	<b>\$ 1,067</b>	<b>\$ 951</b>	<b>\$ 27,670</b>	<b>\$ 271,646</b>

**NOTE 7 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	<b>Balance July 01, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>	<b>Balance Due In One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ 5,454,678	\$ 56,428	\$ 210,000	\$ 5,301,106	\$ 235,000
Unamortized premium	282,667	-	47,111	235,556	47,111
Total general obligation bonds	5,737,345	56,428	257,111	5,536,662	282,111
Lease revenue bonds	430,000	-	49,000	381,000	51,000
Energy loan	75,155	-	5,925	69,230	5,985
Early retirement incentive	15,043	28,830	5,015	38,858	10,781
Compensated absences	24,320	-	15,657	8,663	-
Net pension liability	5,671,113	751,961	-	6,423,074	-
<b>Total</b>	<b>\$ 11,952,976</b>	<b>\$ 837,219</b>	<b>\$ 332,708</b>	<b>\$ 12,457,487</b>	<b>\$ 349,877</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for lease revenue bonds are made in the General Fund, Building Fund, and Capital Facilities Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
- Payments for the energy loan are made in the General Fund.
- Payments for the early retirement incentive are made in the General Fund.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

NOTE 7 – LONG-TERM DEBT, continued

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$8,663. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 01, 2017	Additions	Deductions	Outstanding June 30, 2018
2002	2028	8.75%	\$ 174,927	631,010	56,428	-	687,438
2003	2039	6.14%-6.17%	1,219,913	2,803,668	-	-	2,803,668
2013	2025	0.29%-4.00%	2,745,000	2,020,000	-	210,000	1,810,000
				\$ 5,454,678	\$ 56,428	\$ 210,000	\$ 5,301,106

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2018 were as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 235,000	\$ 60,025	\$ 295,025
2020	255,000	50,225	305,225
2021	275,000	39,625	314,625
2022	300,000	28,125	328,125
2023	325,000	15,625	340,625
2024 - 2028	712,498	1,474,396	2,186,894
2029 - 2033	546,479	2,213,521	2,760,000
2034 - 2038	475,917	2,779,083	3,255,000
2039	79,946	580,054	660,000
Accretion	2,096,266	(2,096,266)	-
Total	\$ 5,301,106	\$ 5,144,413	\$ 10,445,519

C. Lease Revenue Bonds

On January 28, 2015, the District issued \$527,500 of lease revenue bonds with principal and interest payments due annually through December 2024 with an interest rate of 2.21%.

The bonds mature through 2025 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	51,000	7,857	\$ 58,857
2020	52,000	6,718	58,718
2021	53,000	5,558	58,558
2022	54,000	4,376	58,376
2023	56,000	3,160	59,160
2024 - 2025	115,000	2,553	117,553
Total	\$ 381,000	\$ 30,222	\$ 411,222



**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 7 – LONG-TERM DEBT, continued**

**D. Net Pension Liability**

The District’s 2018 beginning net pension liability was \$5,671,113 and increased by \$751,961 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$6,423,074. See Note 9 for additional information regarding the net pension liability.

**E. Early Retirement Incentive**

The District issued an early retirement incentive under PARS to two employees. Payments are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2019	\$ 10,781
2020	10,789
2021	5,766
2022	5,766
2023	5,766
Total	<u>\$ 38,868</u>

**F. Department of Energy Loan**

On April 24, 2013, the District received \$85,000 from the CA Energy Commission with principal and interest due semi-annually through June 22, 2029 with an interest rate of 1.00%. Payments are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,985	\$ 677	\$ 6,662
2020	6,043	619	6,662
2021	6,105	557	6,662
2022	6,167	496	6,663
2023	6,228	434	6,662
2024 -2028	32,090	1,221	33,311
2029	6,612	50	6,662
	<u>\$ 69,230</u>	<u>\$ 4,054</u>	<u>\$ 73,284</u>

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 8 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Prepaid expenditures	15,285	-	-	-	15,285
Total non-spendable	20,285	-	-	-	20,285
Restricted					
Educational programs	520,218	-	-	-	520,218
Capital projects	-	480,426	543,570	46,488	1,070,484
Debt service	-	-	-	281,366	281,366
Total restricted	520,218	480,426	543,570	327,854	1,872,068
Committed					
Other commitments	238,695	-	-	65,299	303,994
Total committed	238,695	-	-	65,299	303,994
Unassigned					
Remaining unassigned	1,368,650	-	-	-	1,368,650
Total unassigned	1,368,650	-	-	-	1,368,650
<b>Total</b>	<b>\$ 2,147,848</b>	<b>\$ 480,426</b>	<b>\$ 543,570</b>	<b>\$ 393,153</b>	<b>\$ 3,564,997</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 4 percent of General Fund expenditures and other financing uses.

**NOTE 9 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 4,026,689	\$ 1,329,976	\$ 458,931	\$ 392,293
PERS Pension	2,396,385	1,093,057	37,882	347,994
<b>Total</b>	<b>\$ 6,423,074</b>	<b>\$ 2,423,033</b>	<b>\$ 496,813</b>	<b>\$ 740,287</b>

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$354,956 for the year ended June 30, 2018.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$193,718 to CalSTRS.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 9 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	4,026,689
State's proportionate share of the net pension liability associated with the District		<u>2,382,175</u>
Total	\$	<u>6,408,864</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District’s proportion was 0.004 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$392,293. In addition, the District recognized pension expense and revenue of \$68,467 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 107,242
Differences between expected and actual experience	14,891	70,232
Changes in assumptions	745,991	
Changes in proportion and differences between District contributions and proportionate share of contributions	214,138	281,457
District contributions subsequent to the measurement date	<u>354,956</u>	<u>-</u>
	<u>\$ 1,329,976</u>	<u>\$ 458,931</u>

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 9 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The \$354,956 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 169,642	\$ 160,693
2020	169,642	3,981
2021	169,642	61,827
2022	169,642	166,899
2023	169,640	36,478
2024	126,812	29,053
	<u>\$ 975,020</u>	<u>\$ 458,931</u>

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 9 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

\*20-year geometric average

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Discount Rate**

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

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 5,912,459	\$ 4,026,689	\$ 2,496,260

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 9 – PENSION PLANS (continued)

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

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

**Benefits Provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$248,977 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$2,396,385 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.010 percent, which did not change from its proportion measured as of June 30, 2016.



LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 9 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2018, the District recognized pension expense of \$347,994. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 82,899	\$ -
Differences between expected and actual experience	85,853	-
Changes in assumptions	350,030	28,214
Changes in proportion and differences between District contributions and proportionate share of contributions	325,298	9,668
District contributions subsequent to the measurement date	248,977	-
	<u>\$ 1,093,057</u>	<u>\$ 37,882</u>

The \$248,977 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 293,713	\$ 37,882
2020	359,340	-
2021	236,422	-
2022	(45,395)	-
	<u>\$ 844,080</u>	<u>\$ 37,882</u>

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2018

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NOTE 9 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 9 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial Assumptions (continued)**

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

\*An expected inflation of 2.50% used for this period.  
 \*\*An expected inflation of 3.00% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 3,525,850	\$ 2,396,385	\$ 1,459,399

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 9 – PENSION PLANS (*continued*)

B. California Public Employees’ Retirement System (CalPERS) (*continued*)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

C. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects totaling \$6,993,136.

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Santa Clara County Schools’ Insurance Group joint powers authority (JPA). The District pays an annual premium to the JPA for its health, workers' compensation, and property liability coverage. The relationship between the District and the JPA is such that it is not component units of the District for financial reporting purposes.

The entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are available from the JPA.

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was \$12,724.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2018, total deferred outflows related to pensions was \$2,423,033 and total deferred inflows related to pensions was \$496,813.

NOTE 13 – SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes (TRANS)

The District issued \$550,000 of TRANS dated July 1, 2018. The notes were issued through the California School Cash Reserve Program Authority, 2018-19 Bond Series A. The notes mature on June 28, 2019 and yield a 3% interest rate. The notes were sold to supplement cash flow. Repayment requirements are that amounts be deposited with the Fiscal Agent during the period January 1, 2019 through and including April 30, 2019 until 100% of total principal and interest have been deposited.

NOTE 14 – EXTRAORDINARY ITEM

During the year ended June 30, 2018, the District received \$2,156,361 in proceeds for insurance recovery related to the community center/gymnasium building fire on August 30, 2015. The proceeds were deposited into the Special Reserve Fund for Capital Outlay Projects to be used for reconstruction of the community center/gym building. The gain related to insurance recovery of \$2,035,652 was classified as an extraordinary item in the Statement of Activities.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 4,184,654	\$ 4,351,593	\$ 4,409,218	\$ 57,625
Federal sources	140,018	161,729	123,651	(38,078)
Other state sources	261,543	319,482	391,168	71,686
Other local sources	1,734,195	1,735,904	1,891,451	155,547
<b>Total Revenues</b>	<b>6,320,410</b>	<b>6,568,708</b>	<b>6,815,488</b>	<b>246,780</b>
<b>EXPENDITURES</b>				
Certificated salaries	2,489,549	2,499,812	2,626,407	(126,595)
Classified salaries	1,426,772	1,399,277	1,473,464	(74,187)
Employee benefits	1,346,091	1,347,254	1,336,617	10,637
Books and supplies	227,036	282,793	287,572	(4,779)
Services and other operating expenditures	795,585	984,348	1,041,945	(57,597)
Capital outlay	-	230,000	-	230,000
Other outgo				
Excluding transfers of indirect costs	275,836	35,836	129,106	(93,270)
<b>Total Expenditures</b>	<b>6,560,869</b>	<b>6,779,320</b>	<b>6,895,111</b>	<b>(115,791)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(240,459)</b>	<b>(210,612)</b>	<b>(79,623)</b>	<b>130,989</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	(200,000)	(200,000)	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>				
	(240,459)	(410,612)	(279,623)	130,989
<b>Fund Balance - Beginning</b>	<b>2,427,471</b>	<b>2,427,471</b>	<b>2,427,471</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,187,012</b>	<b>\$ 2,016,859</b>	<b>\$ 2,147,848</b>	<b>\$ 130,989</b>

See accompanying note to required supplementary information.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
- CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.004%	0.005%	0.004%	0.004%
District's proportionate share of the net pension liability	\$ 4,026,689	\$ 3,742,059	\$ 2,837,863	\$ 2,320,020
State's proportionate share of the net pension liability associated with the District	2,382,175	2,130,600	1,500,912	1,400,928
Total	<u>\$ 6,408,864</u>	<u>\$ 5,872,659</u>	<u>\$ 4,338,775</u>	<u>\$ 3,720,948</u>
District's covered payroll	\$ 2,395,695	\$ 2,252,834	\$ 2,054,543	\$ 1,768,303
District's proportionate share of the net pension liability as a percentage of its covered payroll	168.1%	166.1%	138.1%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.



**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
- CALPERS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.010%	0.010%	0.009%	0.009%
District's proportionate share of the net pension liability	\$ 2,396,385	\$ 1,929,054	\$ 1,312,939	\$ 1,051,158
District's covered payroll	\$ 1,280,067	\$ 1,171,789	\$ 986,651	\$ 971,998
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.2%	164.6%	133.1%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 354,956	\$ 294,488	\$ 242,272	\$ 181,945
Contributions in relation to the contractually required contribution*	(354,956)	(294,488)	(242,272)	(181,945)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,533,060	\$ 2,395,695	\$ 2,252,834	\$ 2,054,543
Contributions as a percentage of covered payroll	14.01%	12.29%	10.75%	8.86%

\*Amounts do not include on-behalf contributions

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 248,977	\$ 237,150	\$ 201,941	\$ 175,228
Contributions in relation to the contractually required contribution	(248,977)	(237,150)	(201,941)	(175,228)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,253,037	\$ 1,280,067	\$ 1,171,789	\$ 986,651
Contributions as a percentage of covered payroll	19.87%	18.53%	17.23%	17.76%

See accompanying note to required supplementary information.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 2,499,812	\$ 2,626,407	\$ 126,595
Classified salaries	\$ 1,399,277	\$ 1,473,464	\$ 74,187
Books and supplies	\$ 282,793	\$ 287,572	\$ 4,779
Services and other operating expenditures	\$ 984,348	\$ 1,041,945	\$ 57,597
Other outgo			
Excluding transfers of indirect costs	\$ 35,836	\$ 129,106	\$ 93,270

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**SUPPLEMENTARY  
INFORMATION**

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**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Second Period Report &lt;79237C9A&gt;</b>	<b>Annual Report &lt;18F49B56&gt;</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	161.47	162.32
Extended Year Special Education	0.04	0.04
Special Education - Nonpublic Schools	0.87	0.88
Extended Year Special Education - Nonpublic Schools	0.11	0.11
Total TK/K through Third	162.49	163.35
Fourth through Sixth		
Regular ADA	174.76	174.58
Extended Year Special Education	0.30	0.30
Total Fourth through Sixth	175.06	174.88
Seventh through Eighth		
Regular ADA	143.75	143.82
Extended Year Special Education	0.22	0.22
Total Seventh through Eighth	143.97	144.04
TOTAL SCHOOL DISTRICT	481.52	482.27

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2017-18</b>	<b>Number of Days</b>	<b>Status</b>
		<b>Actual Minutes</b>		
Kindergarten	36,000	44,990	180	Complied
Grade 1	50,400	55,055	180	Complied
Grade 2	50,400	55,055	180	Complied
Grade 3	50,400	55,055	180	Complied
Grade 4	54,000	55,055	180	Complied
Grade 5	54,000	55,055	180	Complied
Grade 6	54,000	55,194	180	Complied
Grade 7	54,000	55,194	180	Complied
Grade 8	54,000	55,194	180	Complied



**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019 (Budget)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 6,582,570	\$ 6,815,488	\$ 6,806,002	\$ 6,363,059
Expenditures And Other Financing Uses	6,681,936	7,095,111	6,361,933	6,258,469
Net change in Fund Balance	\$ (99,366)	\$ (279,623)	\$ 444,069	\$ 104,590
Ending Fund Balance	\$ 2,048,482	\$ 2,147,848	\$ 2,427,471	\$ 1,983,402
Available Reserves*	\$ 1,294,476	\$ 1,368,652	\$ 1,718,049	\$ 1,327,646
Available Reserves As A Percentage Of Outgo	19.37%	19.29%	27.01%	21.21%
Long-term Debt	\$ 12,107,610	\$ 12,457,487	\$ 11,952,976	\$ 10,526,398
Average Daily Attendance At P-2	477	482	486	475

The General Fund balance has increased by \$164,446 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$99,366. For a District this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by \$1,931,089 over the past two years.

Average daily attendance has increased by 7 ADA over the past two years. A decrease of 5 ADA is anticipated during the 2018-19 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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*There were no adjustments between the annual financial and budget report and the audited financial statements for the year ended June 30, 2018.*

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2018

	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 65,966	\$ 37	\$ 42,813	\$ 280,533	\$ 389,349
Accounts receivable	284	-	181	833	1,298
Due from other funds	-	3,457	-	-	3,457
<b>Total Assets</b>	<b>\$ 66,250</b>	<b>\$ 3,494</b>	<b>\$ 42,994</b>	<b>\$ 281,366</b>	<b>\$ 394,104</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 951	\$ -	\$ -	\$ -	\$ 951
<b>Total Liabilities</b>	<b>951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>951</b>
<b>FUND BALANCES</b>					
Restricted	-	3,494	42,994	281,366	327,854
Committed	65,299	-	-	-	65,299
<b>Total Fund Balances</b>	<b>65,299</b>	<b>3,494</b>	<b>42,994</b>	<b>281,366</b>	<b>393,153</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 66,250</b>	<b>\$ 3,494</b>	<b>\$ 42,994</b>	<b>\$ 281,366</b>	<b>\$ 394,104</b>

See accompanying note to supplementary information.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2018**

	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Other state sources	-	-	-	1,688	1,688
Other local sources	577	10,590	613	297,797	309,577
<b>Total Revenues</b>	<b>50,577</b>	<b>10,590</b>	<b>613</b>	<b>299,485</b>	<b>361,265</b>
<b>EXPENDITURES</b>					
General administration					
Plant services	17,379	-	-	-	17,379
Debt service					
Principal	-	6,473	-	210,000	216,473
Interest and other	-	627	-	68,925	69,552
<b>Total Expenditures</b>	<b>17,379</b>	<b>7,100</b>	<b>-</b>	<b>278,925</b>	<b>303,404</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>33,198</b>	<b>3,490</b>	<b>613</b>	<b>20,560</b>	<b>57,861</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>33,198</b>	<b>3,490</b>	<b>613</b>	<b>20,560</b>	<b>57,861</b>
<b>Fund Balance - Beginning</b>	<b>32,101</b>	<b>4</b>	<b>42,381</b>	<b>260,806</b>	<b>335,292</b>
<b>Fund Balance - Ending</b>	<b>\$ 65,299</b>	<b>\$ 3,494</b>	<b>\$ 42,994</b>	<b>\$ 281,366</b>	<b>\$ 393,153</b>

See accompanying note to supplementary information.

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2018**

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The Loma Prieta Joint Union Elementary School District was established 1951 and consists of an area comprising approximately 50 square miles. The District operates one elementary school and one middle school. There were no changes in the boundaries of the District during the current year.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Deana A. Arnold	President	November 2018
Shannon Hickok	Vice President	November 2018
Ron Bourque	Trustee	November 2018
Marco Menéndez	Trustee	November 2018
Kerrie Mills	Trustee	November 2020

**DISTRICT ADMINISTRATORS**

Lisa Fraser  
*Superintendent*

Cathy Vance  
*Chief Business Official*

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

**Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

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

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board  
Loma Prieta Joint Union Elementary School District  
Los Gatos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Loma Prieta Joint Union Elementary School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Loma Prieta Joint Union Elementary School District's basic financial statements, and have issued our report thereon dated December 11, 2018.

**Internal Control over Financial Reporting**

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

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

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San Diego, CA 92103

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www.christywhite.com

*Licensed by the California  
State Board of Accountancy*



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
December 11, 2018

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

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*State Board of Accountancy*

Governing Board

Loma Prieta Joint Union Elementary School District

Los Gatos, California

#### **Report on State Compliance**

We have audited Loma Prieta Joint Union Elementary School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Loma Prieta Joint Union Elementary School District's state programs for the fiscal year ended June 30, 2018, as identified below.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Loma Prieta Joint Union Elementary School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Loma Prieta Joint Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Loma Prieta Joint Union Elementary School District's compliance with those requirements.

### *Opinion on State Compliance*

In our opinion, Loma Prieta Joint Union Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2018-001. Our opinion on state compliance is not modified with respect to these matters.

Loma Prieta Joint Union Elementary School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Loma Prieta Joint Union Elementary School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### *Procedures Performed*

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

*Procedures Performed (continued)*

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study, because ADA was below the level required for testing.

*Christy White Associates*

San Diego, California  
December 11, 2018

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

*The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2018 because federal award expenditures did not exceed \$750,000.*

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

*There were no financial statement findings for the year ended June 30, 2018.*

**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2018-001: CLASSROOM TEACHER SALARIES (61000)**

**Criteria:** As set forth in California Education Code section 41372, an elementary school district should expend a minimum of 60% of the District's current expenses of education towards salaries of classroom teachers.

**Condition:** In the 2017-18 fiscal year, Loma Prieta Joint Union Elementary School District did not meet the minimum percentage requirement.

**Cause:** The District has not met this requirement for many years, even though the class size averages are relatively small.

**Perspective/Context:** The minimum percentage required by the State of California is 60% for an Elementary School District. Loma Prieta Joint Union Elementary School District only spent 54.87% on classroom teacher salaries in the 2017-18 fiscal year.

**Effect:** The District's current expense of education for the year audited June 30, 2018 was \$6,176,363.49 and the total salaries and benefits for classroom teachers was \$3,389,118.02. The District was below the minimum required percentage of 60% by 5.13% which calculates out to a deficiency of \$316,847.45.

**Questioned Costs:** The questioned costs are the deficiency of \$316,847.45.

**Recommendations:** We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 60% minimum requirement and to be in compliance with Education Code section 41372.

**Corrective Action Plan:** The District has again received an annual waiver to this requirement from the Santa Clara County Office of Education. The average class size Districtwide is below 26 students. It would be a financial hardship for the District to meet this requirement at this time.



**LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINDING #2017-001: CLASSROOM TEACHER SALARIES (61000)**

**Criteria:** As set forth in California Education Code section 41372, an elementary school district should expend a minimum of 60% of the District's current expenses of education towards salaries of classroom teachers.

**Condition:** In the 2016-17 fiscal year, Loma Prieta Joint Union Elementary School District did not meet the minimum percentage requirement.

**Cause:** The District has not met this requirement for many years, even though the class size averages are relatively small.

**Perspective/Context:** The minimum percentage required by the State of California is 60% for an Elementary School District. Loma Prieta Joint Union Elementary School District only spent 57.66% on classroom teacher salaries in the 2016-17 fiscal year.

**Effect:** The District's current expense of education for the year audited June 30, 2017 was \$5,616,228.43 and the total salaries and benefits for classroom teachers was \$3,238,044.46. The District was below the minimum required percentage of 60% by 2.34% which calculates out to a deficiency of \$131,419.75.

**Questioned Costs:** The questioned costs are the deficiency of \$131,419.75.

**Recommendations:** We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 60% minimum requirement and to be in compliance with Education Code section 41372.

**District Response:** The District continues to make progress towards the requirement to spend 60% of the current expense of education on classroom salaries. The District has again received an annual waiver to this requirement from the Santa Clara County Office of Education. The average class size Districtwide is below 26 students. It would be a financial hardship for the District to meet this requirement at this time.

**Current Status:** Not Implemented, see Finding #2018-001.

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## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Loma Prieta Joint Union Elementary School District (the “District”) in connection with the issuance of \$3,600,000 of the District’s Election of 2018 General Obligation Bonds, Series A (Bank Qualified) (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the District dated December 12, 2018. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean the registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” means that certain official statement, dated January 23, 2019, relating to the offering and sale of the Bonds.

“Participating Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 fiscal year (which is due not later than April 1, 2020), provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness and lease obligations;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

- (e) assessed valuation of taxable property within the District for the current fiscal year; and
- (f) secured tax charges and delinquencies for property within the District for the prior fiscal year, except to the extent the Teeter Plan, as adopted by Santa Clara and Santa Cruz Counties, applies to both the 1% general purpose *ad valorem* property tax levy and to the tax levy for general obligation bonds of the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled Bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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.
7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the

District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this

Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: February 13, 2019

LOMA PRIETA JOINT UNION ELEMENTARY  
SCHOOL DISTRICT

By: \_\_\_\_\_  
Cathy Vance  
Chief Business Official



**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District: LOMA PRIETA JOINT UNION ELEMENTARY SCHOOL DISTRICT

Name of Bond Issue: Election of 2018 General Obligation Bonds, Series A (Bank Qualified)

Date of Issuance: February 13, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

LOMA PRIETA JOINT UNION ELEMENTARY  
SCHOOL DISTRICT

By \_\_\_\_\_ [form only; no signature required]

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## APPENDIX D

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE TOWN OF LOS GATOS, SANTA CLARA COUNTY AND SANTA CRUZ COUNTY

*The following information regarding the Town of Los Gatos (the “Town”), Santa Clara County (the “County”) and Santa Cruz County (together with the County, the “Counties”), is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Town or of either of the Counties. This material has been prepared by or excerpted from the sources as noted herein and has not been independently verified by the District, the Underwriter or the municipal advisor.*

#### **General**

***The Town of Los Gatos.*** Founded in the mid-1850s, The Town of Los Gatos is a small, affluent town located in the foothills of the Santa Cruz mountains to the southwest of the City of San Jose in the Silicon Valley. The Town is known for its boutique downtown, arts community, Michelin star restaurants, antiques and ideal climate. The Town is governed by five elected council members to four-year terms with the position of mayor rotating between council members each year.

***Santa Clara County.*** The County is one of the nine counties in the greater metropolitan San Francisco Bay Area, and occupies an area of 1,316 square miles. Established by State of California (the “State”) legislation in 1850, it was one of the original 27 counties in the State. The County is home to Silicon Valley, the birthplace of the semiconductor and computer industries in the United States, and operates under a Home Rule Charter adopted by its voters. The County Board of Supervisors is comprised of officials elected by each of five districts to four-year staggered terms. The economy of the County is based largely on the primary and secondary businesses associated with the computer and technology industries.

***Santa Cruz County.*** Santa Cruz County lies on the State’s coast, bordered by the Pacific Ocean on the west, Santa Clara County to the east, San Mateo County to the north and Monterey and San Benito Counties to the south. Santa Cruz County is located 65 miles south of San Francisco and was one of the original counties of the State, created in 1850 at the time of statehood. Santa Cruz County varies from pristine beaches, lush redwood forests to rich farmland with 29 miles of beaches, six state parks and six state beaches. Santa Cruz County is governed by an elected five-member Board of Supervisors, which also governs the unincorporated areas. The Board of Supervisors directs overall operations of the various departments and districts within Santa Cruz County. The city of Santa Cruz is the Santa Cruz County seat.

## Population

The following table shows historical population figures for the Town, the Counties and the State for the past 10 years.

**POPULATION ESTIMATES  
2009 through 2018  
Town of Los Gatos, Santa Clara County, Santa Cruz County and State of California**

<u>Year</u> <sup>(1)</sup>	<u>Town of Los Gatos</u>	<u>Santa Clara County</u>	<u>Santa Cruz County</u>	<u>State of California</u>
2009	29,182	1,767,204	260,892	36,966,713
2010 <sup>(2)</sup>	29,413	1,781,642	262,382	37,253,956
2011	29,531	1,803,329	264,802	37,529,913
2012	29,659	1,828,843	267,234	37,874,977
2013	30,053	1,857,211	269,192	38,234,391
2014	30,242	1,880,197	271,134	38,568,628
2015	30,229	1,905,156	273,966	38,912,464
2016	30,271	1,924,582	275,737	39,179,627
2017	30,448	1,937,473	276,504	39,500,973
2018	30,601	1,956,598	276,864	39,809,693

(1) As of January 1.

(2) As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.  
2009, 2011-18 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

## Income

The following table shows the per capita personal income for the Counties, the State and the United States for the past 10 years of data that is currently available.

**PER CAPITA PERSONAL INCOME  
2008 through 2017  
Santa Clara County, Santa Cruz County, State of California, and United States**

<u>Year</u>	<u>Santa Clara County</u>	<u>Santa Cruz County</u>	<u>State of California</u>	<u>United States</u>
2008	\$61,511	\$47,248	\$43,895	\$40,904
2009	57,106	45,485	42,050	39,284
2010	61,289	48,589	43,609	40,545
2011	66,366	50,180	46,145	42,727
2012	72,704	53,124	48,751	44,582
2013	72,754	54,017	49,173	44,826
2014	78,955	56,452	52,237	47,025
2015	86,141	59,598	55,679	48,940
2016	92,168	60,924	57,497	49,831
2017	98,032	64,028	59,796	51,640

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2017 reflect county population estimates available as of March 2018. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Principal Employers

The following tables show the principal employers in the Town and Counties by number of employees.

### PRINCIPAL EMPLOYERS

2017

#### Town of Los Gatos

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Netflix	Computer Processing and Data Preparation	1,864
El Camino Hospital, Los Gatos	Health Services	560
Roku	Communication Services	554
Courtside Tennis Club	Amusement and Recreation Services	468
Los Gatos-Saratoga Union School District	Educational Services	370
Safeway	Retail Trade: Groceries	314
Los Gatos Union School District	Educational Services	274
Vasona Creek Health Care Center	Health Services	233
Terraces of Los Gatos	Assisted Living Facilities for the Elderly	228
Good Samaritan Regional Cancer Center	Health Services	200

Source: Town of Los Gatos 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2017.

### PRINCIPAL EMPLOYERS

2018

#### Santa Clara County

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Apple Computer, Inc.	Computer Services	25,000
Alphabet Inc	Offices of Holding Companies	20,000
County of Santa Clara	Public Administration	18,806
Stanford University	Educational Services	16,919
Cisco Technology Inc.	Prepackaged Software	14,120
Kaiser Permanente	Health Services	12,500
Stanford Healthcare	Health Services	10,034
Tesla Motors Inc	Automobile Manufacturing	10,000
Intel Corporation	Semiconductor Manufacturing	8,450
City of San Jose	Public Administration	6,159

Source: Santa Clara County 'Comprehensive Annual Financial Report' for fiscal year ended June 30, 2018.

**PRINCIPAL EMPLOYERS  
2017  
Santa Cruz County**

<u>Employer Name</u>	<u>Industry</u>	<u>Employees</u>
University of California-Santa Cruz	Educational Services	1,000-4,999
Pajaro Valley Unified School District	Educational Services	1,000-4,999
County of Santa Cruz	Public Administration	1,000-4,999
Dominican Hospital	Health Services	1,000-4,999
Santa Cruz Beach Boardwalk	Amusement and Recreation Services	1,000-4,999
Dutra Farms	Berry Crops	1,000-4,999
Granite Rock	Brick, Stone Construction Materials	500-999
Cabrillo College	Educational Services	500-999
City of Santa Cruz	Public Administration	500-999
Watsonville Community Hospital	Health Services	500-999

*Source: Santa Cruz County 'Comprehensive Annual Financial Report' for fiscal year ended June 30, 2017.*

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## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the Town, the Counties, and the State.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**2013 through 2017<sup>(1)</sup>**  
**Town of Los Gatos, Santa Clara County, Santa Cruz County, State of California**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment<sup>(2)</sup></u>	<u>Unemployment<sup>(3)</sup></u>	<u>Unemployment Rate</u>
<u>2013</u>				
Town of Los Gatos	14,800	14,100	600	4.4%
Santa Clara County	971,900	909,000	62,800	6.5
Santa Cruz County	142,100	127,500	14,600	10.3
State of California	18,624,300	16,958,700	1,665,600	8.9
<u>2014</u>				
Town of Los Gatos	15,100	14,600	500	3.5%
Santa Clara County	992,200	941,100	51,100	5.2
Santa Cruz County	142,600	130,200	12,500	8.8
State of California	18,755,000	17,348,600	1,406,400	7.5
<u>2015</u>				
Town of Los Gatos	15,500	15,000	400	2.8%
Santa Clara County	1,009,800	967,700	42,100	4.2
Santa Cruz County	143,400	132,700	10,800	7.5
State of California	18,893,200	17,723,300	1,169,900	6.2
<u>2016</u>				
Town of Los Gatos	15,700	15,300	400	2.5%
Santa Clara County	1,024,000	985,100	38,900	3.8
Santa Cruz County	144,000	134,000	10,000	7.0
State of California	19,102,700	18,065,000	1,037,700	5.4
<u>2017</u>				
Town of Los Gatos	15,500	15,100	400	2.4%
Santa Clara County	1,042,000	1,008,600	33,400	3.2
Santa Cruz County	5,123,900	4,883,600	240,300	4.7
State of California	143,800	135,700	8,200	5.7

Note: Data are not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017 Benchmark.

## Industry

The Town and the County are included in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (the “MSA”).<sup>(1)</sup> The distribution of employment in the MSA is presented in the following table for the past five calendar years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the Town or the County.

### INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2013 through 2017 San Jose-Sunnyvale-Santa Clara MSA

<u>Category</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Farm	5,000	5,300	5,500	6,100	5,800
Total Nonfarm	961,200	1,001,800	1,039,400	1,071,400	1,098,200
Total Private	869,400	908,400	946,500	977,300	1,002,500
Goods Producing	196,200	201,700	209,000	215,100	216,700
Mining and Logging	300	300	200	300	200
Construction	37,500	39,700	43,900	48,300	49,800
Manufacturing	158,400	161,700	164,800	166,600	166,700
Durable Goods	145,400	148,100	151,300	153,000	153,300
Nondurable Goods	13,100	13,600	13,500	13,600	13,400
Service Providing	765,000	800,100	830,400	856,300	881,500
Private Service Providing	673,200	706,700	737,500	762,200	785,800
Trade, Transportation and Utilities	134,100	136,800	138,400	138,100	137,200
Wholesale Trade	36,400	37,200	37,200	36,800	35,500
Retail Trade	83,900	85,300	86,600	85,800	86,300
Transportation, Warehousing and Utilities	13,800	14,400	14,600	15,500	15,400
Information	58,700	65,700	70,500	75,700	85,100
Financial Activities	33,700	34,100	34,600	35,600	36,100
Professional and Business Services	190,000	201,800	215,100	223,300	227,600
Educational and Health Services	143,800	150,000	156,300	162,500	168,700
Leisure and Hospitality	87,500	91,900	95,800	99,400	102,300
Other Services	25,400	26,400	26,900	27,600	28,700
Government	<u>91,800</u>	<u>93,400</u>	<u>92,900</u>	<u>94,100</u>	<u>95,700</u>
Total, All Industries	<u>966,200</u>	<u>1,007,100</u>	<u>1,044,900</u>	<u>1,077,500</u>	<u>1,104,000</u>

Note: The “Total, All Industries” data are not directly comparable to the employment data found herein.

<sup>(1)</sup> Santa Cruz County is not included in the MSA, but is instead included in the Santa Cruz-Watsonville Metropolitan Statistical Area.

Source: State of California, Employment Development Department, Labor Market Information Division, Santa Clara County (San Jose-Sunnyvale-Santa Clara MSA) Annual Average Labor Force and Industry Employment, March 2017 Benchmark.



## Commercial Activity

Summaries of annual taxable sales for the Town and the Counties from 2012 through 2016 are shown in the following tables.

**ANNUAL TAXABLE SALES  
2012 through 2016  
Town of Los Gatos  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2012	906	\$425,148	1,378	\$705,691
2013	908	451,949	1,353	694,694
2014	921	462,046	1,365	697,647
2015	--	463,236	--	681,893
2016	--	453,916	--	650,684

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**ANNUAL TAXABLE SALES  
2012 through 2016  
Santa Clara County  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2012	28,109	\$21,116,708	43,980	\$36,220,445
2013	29,535	22,424,642	45,310	37,621,606
2014	30,058	23,271,753	45,852	39,628,655
2015	--	23,700,907	--	41,231,759
2016	--	24,158,590	--	41,831,669

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**ANNUAL TAXABLE SALES**  
**Santa Cruz County**  
**2012 through 2016**  
**(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total All Outlets Taxable Transactions</u>
2012	5,835	\$2,375,320	8,320	\$3,056,694
2013	6,074	2,525,183	8,539	3,270,766
2014	6,274	2,610,443	8,735	3,382,117
2015	--	2,679,130	--	3,546,784
2016	--	2,724,303	--	3,611,274

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and later are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**Construction Activity**

The following tables show the annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the Town and the Counties.

**BUILDING PERMITS AND VALUATIONS**  
**2013 through 2017**  
**Town of Los Gatos**  
**(Dollars in Thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Valuation					
Residential	\$76,916	\$60,826	\$39,992	\$46,911	\$42,154
Non-Residential	<u>35,623</u>	<u>82,743</u>	<u>59,775</u>	<u>24,131</u>	<u>10,898</u>
Total	\$112,539	\$143,569	\$99,767	\$71,042	\$53,052
Units					
Single Family	54	40	15	55	26
Multiple Family	<u>50</u>	<u>--</u>	<u>4</u>	<u>--</u>	<u>--</u>
Total	104	40	19	55	26

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS**  
**2013 through 2017**  
**Santa Clara County**  
**(Dollars in Thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Valuation					
Residential	\$2,060,045	\$2,230,348	\$1,866,596	\$1,709,883	\$2,308,296
Non-Residential	<u>4,204,576</u>	<u>2,655,413</u>	<u>3,589,801</u>	<u>4,698,159</u>	<u>3,359,316</u>
Total	\$6,264,621	\$4,885,761	\$5,456,397	\$6,408,042	\$5,667,612
Units					
Single Family	1,859	1,602	1,710	1,608	2,022
Multiple Family	<u>6,009</u>	<u>8,310</u>	<u>3,906</u>	<u>3,297</u>	<u>6,629</u>
Total	7,868	9,912	5,616	4,905	8,651

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

**BUILDING PERMITS AND VALUATIONS**  
**Santa Cruz County**  
**2013 through 2017**  
**(Dollars in Thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Valuation					
Residential	\$71,183	\$73,285	\$76,083	\$101,418	\$117,022
Non-Residential	<u>47,439</u>	<u>88,860</u>	<u>55,829</u>	<u>94,161</u>	<u>44,907</u>
Total	\$118,622	\$162,145	\$131,912	\$195,579	\$161,929
Units					
Single Family	94	114	102	107	210
Multiple Family	<u>37</u>	<u>9</u>	<u>62</u>	<u>209</u>	<u>151</u>
Total	131	123	164	316	361

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

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## APPENDIX E

### SANTA CLARA COUNTY INVESTMENT POOL

*The following information concerning the Santa Clara County (the "County") Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector of the County (the "Treasurer"), 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 Treasurer, 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 Treasurer at <https://www.sccgov.org/sites/dtac/Pages/default.aspx>; however, the information presented on such website is not incorporated herein by any reference.*

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## Santa Clara County

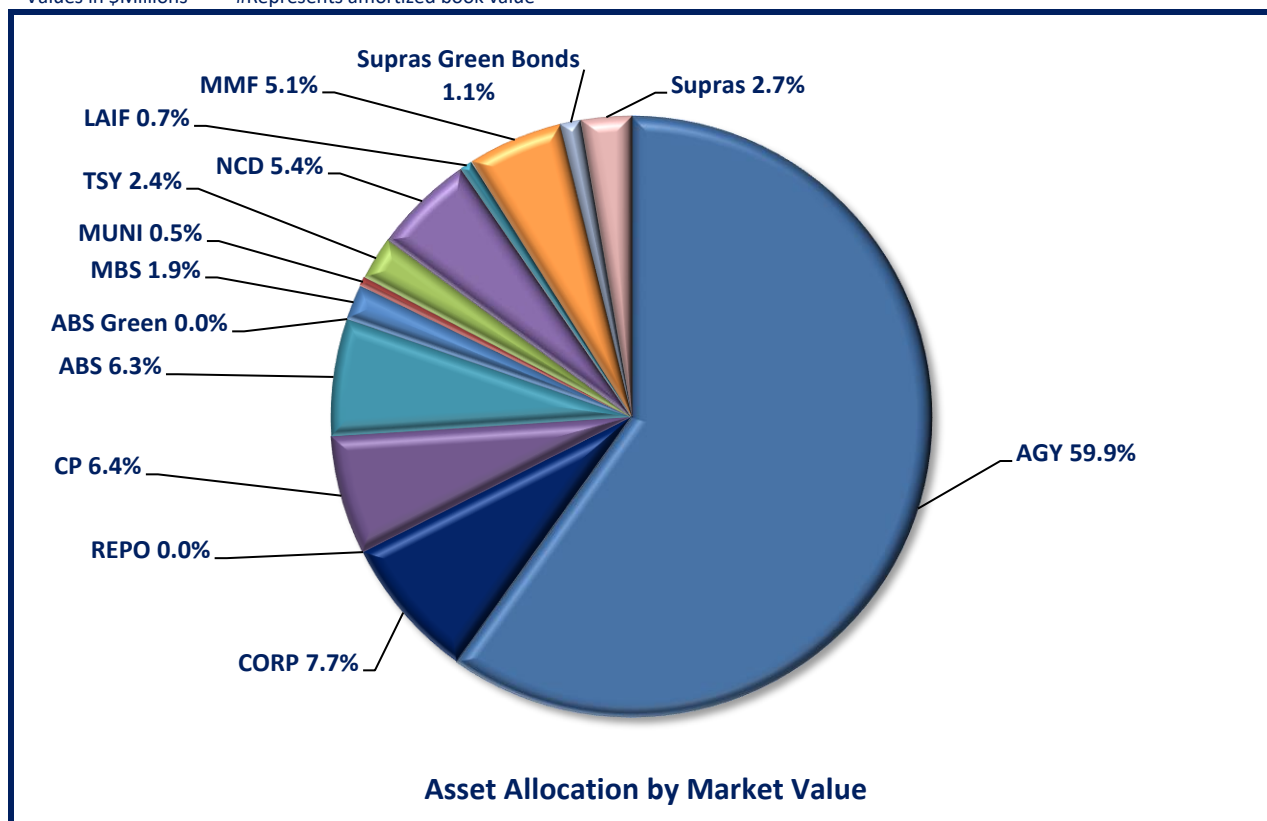
### Commingled Pool Statistics

For the Month Ended October 31, 2018

<b>Average Daily Balance</b>	<b>\$6,163,420,899</b>
<b>Book Yield</b>	<b>1.927%</b>
<b>Weighted Average Maturity</b>	<b>483 Days</b>

Investment Type	Par Value*	Book Value* #	Market Value*
Federal Agencies	\$ 3,817.51	\$ 3,814.25	\$ 3,762.87
Corporate Bonds	489.83	488.76	484.20
Repurchase Agreements	-	-	-
Commercial Paper	405.00	402.59	402.47
Asset-Backed Securities	398.17	398.10	394.83
Asset-Backed Sec Green Bds	1.43	1.43	1.43
Mortgage Backed Securities	119.87	120.24	118.25
Municipal Securities	31.97	32.00	31.24
U.S. Treasuries	150.00	149.26	148.77
Negotiable CDs	340.00	340.00	339.92
LAIF	41.27	41.27	41.27
Money Market Funds	321.57	321.57	321.57
Supranationals Green Bonds	70.00	70.00	69.83
Supranationals	170.00	170.13	168.43
<b>Total</b>	<b>\$ 6,356.63</b>	<b>\$ 6,349.60</b>	<b>\$ 6,285.08</b>

\*Values in \$Millions    #Represents amortized book value



Note: Figures may not total due to rounding.

**Santa Clara County**  
**Summary of County Investments**  
**For the Month Ended October 31, 2018**



<b>Portfolio</b>	<b>Book Value* #</b>	<b>Market Value*</b>	<b>Gain (Loss)*</b>
Commingled Pool	\$ 6,349.60	\$ 6,285.08	\$ (64.52)
Worker's Compensation	28.45	28.33	(0.12)
Park Charter Fund	4.19	4.16	(0.03)
<b>Total</b>	<b>\$ 6,382.25</b>	<b>\$ 6,317.57</b>	<b>\$ (64.67)</b>

\*Values in \$Millions    #Represents amortized book value