

# PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2018

## NEW ISSUE—BOOK-ENTRY ONLY

**RATINGS:**  
Fitch: “AAA”  
Moody’s: “Aa1”  
See “RATINGS” herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2018. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.



## **\$24,000,000\*** **CAMPBELL UNION SCHOOL DISTRICT** **(Santa Clara County, California)** **2018 General Obligation Bonds** **(Series 2010G and Series 2016B Combined Issue)**

**Dated: Date of Delivery**

**Due: August 1, as shown below**

The \$24,000,000\* Campbell Union School District (Santa Clara County, California) 2018 General Obligation Bonds (Series 2010GF and Series 2016B Combined Issue) (the “Bonds”) are being issued by the Campbell Union School District (the “District”) pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Governing Board of the District. The Bonds are a combination of two issues of general obligation bonds of the District, its \$6,000,000 Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series G (2018) (the “2010G Bonds”), and its \$18,000,000 Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2016, Series B (2018) (the “2016B Bonds”). The 2010G Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 7, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of \$150,000,000 (the “2010 Authorization”), and (b) pay for a portion of the costs of issuance of the Bonds. The 2010F Bonds constitute the seventh issue of bonds under the 2010 Authorization. The 2016B Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on June 7, 2016, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of \$72,000,000 (the “2016 Authorization”), and (b) pay for a portion of the costs of issuance of the Bonds. The 2016B Bonds constitute the second issue of bonds under the 2016 Authorization. The Bonds will be issued as current interest bonds.

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

The Bonds are issuable in denominations of \$5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2019. See “THE BONDS” herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by U.S. Bank National Association, as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein.

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

## **MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS**

CUSIP<sup>†</sup> Prefix: 134141

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup> Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup> Suffix
2019	\$1,050,000					2038	\$1,000,000				
2020	1,300,000					2039	1,050,000				
2028	50,000					2040	1,100,000				
2029	50,000					2041	1,150,000				
2030	50,000					2042	1,200,000				
2031	50,000					2043	1,250,000				
2032	50,000					2044	1,950,000				
2033	50,000					2045	2,100,000				
2034	750,000					2046	2,250,000				
2035	750,000					2047	2,400,000				
2036	900,000					2048	2,550,000				
2037	950,000										

Bids for the purchase of the Bonds will be received by the District on Tuesday, June 19, 2018, electronically only, through the I-Deal LLC BiDCOMP/PARITY® system, until 9:30 A.M., Pacific Daylight time. The Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated June 8, 2018.

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

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about July 3, 2018.

June \_\_, 2018

<sup>†</sup>Copyright 2018, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the registered owners of the Bonds. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the 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.



*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

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

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

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

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

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

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

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

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

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

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

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## TABLE OF CONTENTS

INTRODUCTION .....	1	SECURITY AND SOURCE OF PAYMENT FOR	
The District .....	1	THE BONDS .....	2
Sources of Payment for the Bonds .....	1	General .....	2
Authority for Issue; Purpose of Issue .....	2	Property Taxation System .....	2
Description of the Bonds .....	2	Method of Property Taxation .....	3
Tax Matters .....	3	Assessed Valuations .....	4
Offering and Delivery .....	3	Tax Rates .....	9
Continuing Disclosure .....	3	Tax Levies and Delinquencies .....	10
Other Information .....	3	Teeter Plan .....	11
THE BONDS .....	4	Largest Property Owners .....	12
Authority for Issuance .....	4	Direct and Overlapping Debt .....	12
Purposes of Issuance .....	4	COUNTY POOLED INVESTMENT FUND .....	15
Security .....	4	LEGAL MATTERS .....	16
Description of the Bonds .....	5	Possible Limitations on Remedies; Bankruptcy .....	16
Payment .....	6	Legal Opinion .....	18
Redemption .....	6	TAX MATTERS .....	18
Defeasance .....	8	MUNICIPAL ADVISOR .....	20
Registration, Transfer and Exchange of Bonds .....	9	CONTINUING DISCLOSURE .....	20
Estimated Sources and Uses of Funds .....	11	LEGALITY FOR INVESTMENT IN	
Financing Plan .....	11	CALIFORNIA .....	21
Debt Service Schedule .....	12	ABSENCE OF MATERIAL LITIGATION .....	21
PAYING AGENT .....	1	RATINGS .....	21
BOOK-ENTRY ONLY SYSTEM .....	1	UNDERWRITING .....	21
THE DISTRICT .....	1	ADDITIONAL INFORMATION .....	22
General Information .....	1	EXECUTION .....	22
Board of Trustees and Administration .....	2		
APPENDIX A: GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO			
THE CITY OF CAMPBELL AND SANTA CLARA COUNTY			
APPENDIX B: DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION			
APPENDIX C: AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL			
YEAR ENDED JUNE 30, 2017			
APPENDIX D: EXCERPTS FROM THE COUNTY TREASURER'S QUARTERLY INVESTMENT REPORT			
AS OF MARCH 31, 2018			
APPENDIX E: FORM OF OPINION OF BOND COUNSEL			
APPENDIX F: FORM OF CONTINUING DISCLOSURE CERTIFICATE			
APPENDIX G: BOOK-ENTRY SYSTEM			

**CAMPBELL UNION SCHOOL DISTRICT**

155 North Third Street  
Campbell, California 95008  
(408) 364-4200  
<http://www.campbellusd.org/>\*

**BOARD OF TRUSTEES**

Thomas M. Gemetti, *President*  
Richard H. Nguyen, *Clerk*  
Danielle M.S. Cohen, *Board Member*  
Pablo A. Beltran, *Board Member*  
Michael L. Snyder, *Board Member*

**DISTRICT ADMINISTRATION**

Dr. Shelly Viramontez, *Superintendent*  
James Crawford, *Deputy Superintendent, Administrative Services*

**PROFESSIONAL SERVICES**

**BOND COUNSEL and DISCLOSURE COUNSEL**

Quint & Thimmig LLP  
*Larkspur, California*

**MUNICIPAL ADVISOR**  
PFM Financial Advisors, LLC  
*San Francisco, California*

**PAYING AGENT**  
U.S. Bank National Association  
*San Francisco, California*

\*Information therein is not incorporated by reference into this Official Statement.

**\$24,000,000\***  
**CAMPBELL UNION SCHOOL DISTRICT**  
**(Santa Clara County, California)**  
**2018 General Obligation Bonds**  
**(Series 2010G and Series 2016B Combined Issue)**

**INTRODUCTION**

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the \$24,000,000\* Campbell Union School District (Santa Clara County, California) 2018 General Obligation Bonds (Series 2010G and Series 2016B Combined Issue) (the “Bonds”). The Bonds are a combination of two issues of general obligation bonds of the District, its \$6,000,000 Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series G (2017) (the “2010G Bonds”), and its \$18,000,000 Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2016, Series B (2018) (the “2016B 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 and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

**The District**

The Campbell Union School District (the “District”) provides public education in kindergarten through grade 8 to the residents of the City of Campbell, and portions of the town Los Gatos and the cities of Monte Sereno, San José, Santa Clara, and Saratoga, in Santa Clara County, California (the “County”). The District operates nine elementary schools, three middle schools, and a community day school. Eleven of the schools in the District are “dependent” charter schools. The District was formed in 1921. The District is located in a primarily residential suburb in the southwest corner of “Silicon Valley,” approximately six miles from the City of San José, the County seat. The District is served by interstate highways 280 and 17.

For more complete information concerning the District, including certain financial information, see “THE DISTRICT” and APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION. The District’s audited financial statements for the fiscal year ended June 30, 2017, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017.

**Sources of Payment for the Bonds**

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is

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\* Preliminary, subject to change.

obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

### **Authority for Issue; Purpose of Issue**

The Bonds are being issued by the District pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Governing Board of the District (the “Governing Board”) on June 7, 2018 (the “Resolution”).

The 2010G Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 7, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of \$150,000,000 (the “2010 Authorization”), and (b) pay for a portion of the costs of issuance of the Bonds. The 2010G Bonds constitute the seventh issue of bonds under the 2010 Authorization. The Bonds will be issued as current interest bonds. The 2016B Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 8, 2016, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of \$72,000,000 (the “2016 Authorization”), and (b) pay for a portion of the costs of issuance of the Bonds. The 2016B Bonds constitute the second issue of bonds under the 2016 Authorization.

### **Description of the Bonds**

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an “Interest Payment Date”), commencing February 1, 2019.

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

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



## **Tax Matters**

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2018. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

## **Offering and Delivery**

The Bonds are offered when, as and if issued and received by the purchaser, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about July 3, 2018.

## **Continuing Disclosure**

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

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Superintendent, Campbell Union School District, 155 North Third Street, Campbell, CA 95008, telephone (408) 364-4200. The District may impose a charge for copying, mailing and handling.

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

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

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code. The Bonds are authorized pursuant to the Resolution.

### Purposes of Issuance

The 2010G Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the 2010 Authorization, and (b) pay for a portion of the costs of issuance of the Bonds. The 2010G Bonds constitute the seventh issue of bonds under the 2010 Authorization. The 2016B Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the 2016 Authorization, and (b) pay for a portion of the costs of issuance of the Bonds. The 2016B Bonds constitute the second issue of bonds under the 2016 Authorization. After issuance of the Bonds, \$60,994,676 of general obligation bonds will remain to be issued by the District under the 2010 Authorization and \$34,000,000 of general obligation bonds will remain to be issued by the District under the 2016 Authorization. See “—Estimated Sources and Uses of Funds.”

The District has authorized and issued certain other general obligation bonds. See “APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure.”

### Security

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

Moneys placed in the Debt Service Fund of the District are irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due. The property taxes and amounts held in the Debt Service Fund of the District shall immediately be subject to this pledge, and the pledge shall constitute a lien and security interest which shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The pledge is an agreement between the District and the Owners of the Bonds in addition to the statutory lien

in accordance with section 53515(a) of the California Government Code, and the Bonds were issued to finance one or more projects and not to finance the general purposes of the District.

In accordance with section 53515(a) of the California Government Code, the Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the 2016 Authorization. The lien shall automatically attach without further action or authorization by the District or the County. The lien shall be valid and binding from the time the Bonds are issued and delivered. The revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

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, through its Director of Finance, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

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

### **Description of the Bonds**

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

Interest on the Bonds accrues from their date of delivery and is payable semiannually on each Interest Payment Date. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2019, in which event it will bear interest from its date of delivery.

The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the cover page hereof. The principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of the Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. See also "Book Entry Only System" below.

See the maturity schedule on the cover page hereof and "Debt Service Schedule."

## **Payment**

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

## **Redemption**

*Optional Redemption.* The Bonds maturing on and prior to August 1, 2026, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after August 1, 2027, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after February 1, 2026, from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

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

*Notice of Redemption.* The Paying Agent is required to mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and shall

designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent will send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

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

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

*Partial Redemption of Bonds.* In the event only a portion of any Bonds is called for redemption, then upon surrender of such Bonds the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. Bonds need not be presented for mandatory sinking fund redemptions.

*Effect of Redemption.* Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed will become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, will be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given as aforesaid, then from and after such

redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

## **Defeasance**

*Discharge of Resolution.* Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;
- (ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Resolution) to pay or redeem Bonds Outstanding; or
- (iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolution and all covenants, agreements and other obligations of the District under the Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Resolution. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

*Discharge of Liability on Bonds.* Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Resolution to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited in trust with an escrow holder as aforesaid for such payment, provided further, however, that the provisions of the Resolution shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

*Deposit of Money or Securities with Paying Agent.* Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust with an escrow holder money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

*Payment of Bonds After Discharge of Resolution.* Notwithstanding any provisions of the Resolution, any moneys held by an escrow holder in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed for one year after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by the Resolution, and all liability of the escrow holder with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

### **Registration, Transfer and Exchange of Bonds**

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (the "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the

principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

Any Bond may be exchanged for Bonds of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer Amount") upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

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

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

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



## Estimated Sources and Uses of Funds

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

<u>Sources of Funds:</u>	<u>2010G</u>	<u>2016B</u>	<u>Total</u>
Principal Amount of Bonds	\$6,000,000.00	\$18,000,000.00	\$24,000,000.00
Plus: Net Original Issue Premium			
Total Sources of Funds			
<u>Uses of Funds:</u>			
Deposit to 2010G Building Fund			
Deposit to 2016B Building Fund			
Deposit to 2010 Debt Service Fund			
Deposit to 2016 Debt Service Fund			
Costs of Issuance <sup>(1)</sup>			
Retained by Underwriter <sup>(2)</sup>			
Total Uses of Funds			

<sup>(1)</sup> Includes Bond Counsel fees, Disclosure Counsel fees, municipal advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

<sup>(2)</sup> Amounts are based on Underwriter representations of prices at which the Bonds were reoffered to the public. The sale of Bonds to the public at prices that differ from the represented original reoffering price will impact the actual Underwriter compensation on this transaction.

## Financing Plan

The proceeds of sale of the Bonds, exclusive of any premium and accrued interest received, shall be deposited in the County treasury to the credit of the Building Fund of the District. Any premium and accrued interest shall be deposited upon receipt in the Interest and Sinking Fund of the District within the County Treasury. All funds held in the Interest and Sinking Fund of the District shall be invested at the sole discretion of the County Treasurer. All funds held in the Building Fund of the District by the County Treasurer hereunder shall be invested at the County Treasurer's discretion, unless otherwise directed in writing by the District, pursuant to law and the investment policy of the County. In addition, at the written direction of the District, all or any portion of the Building Fund of the District may be invested in the Local Agency Investment Fund in the treasury of the State of California. The County Treasurer's Office neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds. See "COUNTY POOLED INVESTMENT FUND."

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Account") and used to pay costs associated with the issuance of the Bonds.

## Debt Service Schedule

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions). The table below allocated bonds by authorization for various purposes, including but not limited to the annual tax rate establishment. Such allocation does not represent the unique or final solution, and may be adjusted with the approval of bond counsel, if necessary, at a future date.

Bond Year Ending August 1	2010G Bonds			2016B Bonds			Total
	Principal*	Interest (1)	Total	Principal*	Interest (1)	Total	
2018	\$1,050,000			—			
2019	1,300,000			—			
2020	—			—			
2021	—			—			
2022	—			—			
2023	—			—			
2024	—			—			
2025	—			—			
2026	—			—			
2027	—			—			
2028	—			\$ 50,000			
2029	—			50,000			
2030	—			50,000			
2031	—			50,000			
2032	—			50,000			
2033	—			50,000			
2034	—			750,000			
2035	—			750,000			
2036	—			900,000			
2037	—			950,000			
2038	—			1,000,000			
2039	50,000			1,000,000			
2040	100,000			1,000,000			
2041	150,000			1,000,000			
2042	200,000			1,000,000			
2043	250,000			1,000,000			
2044	500,000			1,450,000			
2045	600,000			1,500,000			
2046	600,000			1,650,000			
2047	600,000			1,800,000			
2048	600,000			1,950,000			
TOTAL	\$6,000,000			\$18,000,000			

Preliminary, subject to change.

(1) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2019.

## **PAYING AGENT**

U.S. Bank National Association, San Francisco, California, will act as the paying agent for the Bonds (the “Paying Agent”). As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

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

## **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. See APPENDIX G—BOOK-ENTRY SYSTEM.

## **THE DISTRICT**

### **General Information**

The District provides public education in kindergarten through grade 8 to the residents of the City of Campbell, and portions of the town Los Gatos and the cities of Monte Sereno, San José, Santa Clara, and Saratoga, in the County. The District operates nine elementary schools, three middle schools, and a community day school. The District was formed in 1921. The District is located in a primarily residential suburb in the southwest corner of “Silicon Valley,” approximately six miles from the City of San José, the County seat. The District is served by interstate highways 280 and 17.

The District is unusual among California school districts in that it operates only one regular District school and directly operates eleven “dependent” charter schools. The District operates under the jurisdiction of the County Superintendent of Schools.

## Board of Trustees and Administration

The District is governed by a five-member District Board, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions.

District Board Member	Office	Current Term Expires (December)
Thomas M. Gemetti	President	2018
Richard H. Nguyen	Clerk	2018
Danielle M.S. Cohen	Board Member	2018
Pablo A. Beltran	Board Member	2020
Michael L. Snyder	Board Member	2020

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools, Dr. Shelly Viramontez. James Crawford serves as the Deputy Superintendent, Administrative Services.

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

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

### General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Debt Service Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

### Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the Board of Supervisors of the County will levy and collect *ad valorem* taxes on all taxable parcels within the District, which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See APPENDIX B--

“DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System” below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

The District received approximately 56% of its total general fund operating revenues from local property taxes in fiscal year 2016-17, excluding parcel tax revenues.

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

### **Method of Property Taxation**

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

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of “base” sources from the tax rate area. Each year’s growth allocation becomes part of each local agency’s allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may

be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

### **Assessed Valuations**

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and County taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

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

**HISTORIC ASSESSED VALUATIONS**  
**Fiscal Years 2012-13 to 2017-18**

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2012-13	\$14,054,692,122	\$145,750	\$613,383,636	\$14,668,221,508
2013-14	15,384,958,435	145,750	602,077,958	15,987,182,143
2014-15	16,518,705,463	172,250	636,573,749	17,155,451,462
2015-16	17,606,138,125	172,250	637,692,536	18,244,002,991
2016-17	18,968,801,882	172,250	698,989,821	19,667,963,953
2017-18	20,057,366,723	172,250	691,577,928	20,749,116,901

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values.* There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made.

and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

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

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

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



assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

The following table shows the 2017-18 assessed valuation of each jurisdiction within the boundaries of the District:

**ASSESSED VALUATION BY JURISDICTION<sup>(1)</sup>**  
**Fiscal Year 2017-18**

Jurisdiction	Assessed Value in District	% of District	Assessed Value of Jurisdiction	% of Jurisdiction In District
City of Campbell	\$ 6,501,199,267	31.33%	\$ 9,479,316,208	68.58%
Town of Los Gatos	1,733,607,990	8.36	12,299,554,149	14.09
City of Monte Sereno	138,223,033	.67	2,057,751,561	6.72
City of San Jose	9,657,823,657	46.55	170,460,819,308	5.67
City of Santa Clara	884,364,538	4.26	40,109,538,971	2.20
City of Saratoga	1,428,269,558	6.88	14,451,616,526	9.88
Unincorporated Santa Clara County	405,628,858	1.95	16,940,419,832	2.39
Total District	\$20,749,116,901	100.00%		
 Santa Clara County	 \$20,749,116,901	 100.00%	 \$449,772,839,608	 4.61%

Source: California Municipal Statistics, Inc.

(1) Before deduction of redevelopment incremental valuation.

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

**ASSESSED VALUATION AND PARCELS BY LAND USE**  
**Fiscal Year 2017-18**

	2017-18 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<u>Non Residential:</u>				
Agricultural	\$ 1,831,569	0.01%	9	.04%
Commercial/Office	3,797,207,058	18.93	1,199	4.75
Industrial	456,359,235	2.28	315	1.25
Recreational	12,641,539	0.06	11	.04
Government/Social/Institutional	91,736,290	0.46	108	.43
Miscellaneous	74,206,696	0 .37	117	.46
Subtotal Non-Residential	<u>\$4,433,982,387</u>	<u>22.11%</u>	<u>1,759</u>	<u>6.96%</u>
<u>Residential:</u>				
Single Family Residence	\$9,745,878,441	48.59%	15,243	60.35%
Condominium/Townhouse	2,789,714,685	13.91	5,854	23.18
Mobilehome	11,016,891	0.05	118	.47
2-4 Residential Units	870,693,679	4.34	1,495	5.92
5+ Residential	<u>2,124,388,845</u>	<u>10.59</u>	<u>490</u>	<u>1.94</u>
Units/Apartments				
Subtotal Residential	<u>\$15,541,692,541</u>	<u>77.49%</u>	<u>23,200</u>	<u>91.86%</u>
Vacant Parcels	81,691,795	0.41	297	1.18
Total	<u><u>\$20,057,366,723</u></u>	<u><u>100.00%</u></u>	<u><u>25,256</u></u>	<u><u>100.00%</u></u>

Source: California Municipal Statistics, Inc.

(1) Total Secured Assessed Valuation, excluding tax-exempt property.

The following table shows the assessed valuations of single-family homes for the District.

**ASSESSED VALUATION OF SINGLE FAMILY HOMES**  
**Fiscal Year 2017-18**

	No. of Parcels		2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	15,243		\$ 9,745,878,441	\$ 639,367	\$ 571,781

2017-18 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	1,914	12.557%	12.557%	\$ 137,316,913	1.409%	1.409%
\$100,000 - \$199,999	1,326	8.699	21.256	190,702,219	1.957	3.366
\$200,000 - \$299,999	1,169	7.669	28.925	291,624,795	2.992	6.358
\$300,000 - \$399,999	1,316	8.633	37.558	461,969,780	4.740	11.098
\$400,000 - \$499,999	1,129	7.407	44.965	506,414,774	5.196	16.294
\$500,000 - \$599,999	1,061	6.961	51.925	582,582,158	5.978	22.272
\$600,000 - \$699,999	1,284	8.424	60.349	835,722,502	8.575	30.847
\$700,000 - \$799,999	1,281	8.404	68.753	961,200,680	9.863	40.710
\$800,000 - \$899,999	1,184	7.767	76.520	1,003,645,766	10.298	51.008
\$900,000 - \$999,999	920	6.036	82.556	870,191,066	8.929	59.937
\$1,000,000 - \$1,099,999	611	4.008	86.564	640,051,207	6.567	66.504
\$1,100,000 - \$1,199,999	420	2.755	89.320	481,050,989	4.936	71.440
\$1,200,000 - \$1,299,999	302	1.981	91.301	377,089,481	3.869	75.309
\$1,300,000 - \$1,399,999	242	1.588	92.889	326,208,895	3.347	78.657
\$1,400,000 - \$1,499,999	205	1.345	94.233	296,234,758	3.040	81.696
\$1,500,000 - \$1,599,999	168	1.102	95.336	259,717,705	2.665	84.361
\$1,600,000 - \$1,699,999	140	0.918	96.254	229,935,854	2.359	86.720
\$1,700,000 - \$1,799,999	104	0.682	96.936	181,760,847	1.865	88.585
\$1,800,000 - \$1,899,999	100	0.656	97.592	184,408,642	1.892	90.478
\$1,900,000 - \$1,999,999	74	0.485	98.078	144,148,731	1.479	91.957
\$2,000,000 and greater	293	1.922	100.000	783,900,679	8.043	100.000
Total	15,243	100.000%		\$9,745,878,441	100.000%	

Source: California Municipal Statistics, Inc.

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

## Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to

pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area (“TRA”) within the District for the past five fiscal years. TRA 10-005 comprises approximately 16.2% of the total assessed value of property in the District. TRA 17-021 comprises approximately 19.8% of the total assessed value of property in the District.

**TYPICAL *AD VALOREM* TAX RATES**  
**Fiscal Years 2013-14 to 2017-18**

Total Tax Rates (TRA 10-005 – 2017-18 Assessed Valuation: \$3,365,543,802)

	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement	.0388	.0388	.0388	.0388	.0388
County Hospital Bonds	.0035	.0091	.0088	.0086	.0208
County Library Retirement	.0024	.0024	.0024	.0024	.0024
Campbell Union School District Bonds	.0552	.0552	.0552	.0552	.0672
Campbell Union High School District Bonds	.0290	.0284	.0257	.0252	.0519
West Valley-Mission Community College District	.0255	.0120	.0232	.0196	.0200
Total All Property	1.1544%	1.1459%	1.1541%	1.1498%	1.2011%
Santa Clara Valley Water District – State Water Project	.0070	.0065	.0057	.0086	.0062
Total Land Only	.0070	.0065	.0057	.0086	.0062

Total Tax Rates (TRA 17-021 – 2017-18 Assessed Valuation: \$4,116,759,635)

	2013-14	2014-15	2015-16	2016-17	2017-18
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement	.0388	.0388	.0388	.0388	.0388
County Hospital Bonds	.0035	.0091	.0088	.0086	.0208
Campbell Union School District Bonds	.0552	.0552	.0552	.0552	.0672
Campbell Union High School District Bonds	.0290	.0284	.0257	.0252	.0519
West Valley-Mission Community College District	.0255	.0120	.0232	.0196	.0200
City of San Jose	.0279	.0253	.0223	.0207	.0186
Total All Property	1.1799%	1.1688%	1.1740%	1.1681%	1.2173%
Santa Clara Valley Water District – State Water Project	.0070	.0065	.0057	.0086	.0062
Total Land Only	.0070	.0065	.0057	.0086	.0062

Source: California Municipal Statistics, Inc.

## **Tax Levies and Delinquencies**

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

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

**SECURED TAX CHARGE AND DELINQUENCY**  
**Fiscal Years 2011-12 to 2016-17**

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amount Delinquent June 30	% Delinquent June 30
2011-12	\$ 7,326,338	\$ 82,453	1.13%
2012-13	Not Available	Not Available	0.73
2013-14	9,592,656	89,662	0.93
2014-15	9,061,841	69,958	0.77
2015-16	9,731,086	49,631	0.51
2016-17	10,321,700	69,608	0.67

Source: California Municipal Statistics, Inc.

(1) Bond debt service levy only

### **Teeter Plan**

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies, including for the Bonds. The Teeter Plan is not applicable to unsecured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The County cash position is protected by a special fund, known as the “Tax Loss Reserve Fund,” which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year’s tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County’s general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the

secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

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

## Largest Property Owners

*Concentration of Property Ownership.* Based on fiscal year 2017-18 locally assessed taxable valuations, the top twenty taxable property owners in the District represent approximately 14.63% of the total fiscal year 2017-18 taxable value.

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2017-18.

### LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2017-18

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total <sup>(1)</sup>
1.	FRIT San Jose Town & Country Village LLC	Shopping Center & Apartments	\$ 602,933,171	3.01%
2.	CF Mall LLC	Shopping Center	521,637,953	2.60
3.	CFEP Pruneyard LLC	Shopping Center	269,380,993	1.34
4.	Ebay Inc.	Office Building	175,223,194	0.87
5.	Southwest Expressway Investors I Ltd.	Apartments	166,192,421	0.83
6.	SI 32 LLC	Apartments	146,317,944	0.73
7.	AG-SW Hamilton Plaza Owner LP	Office Building	139,740,000	0.70
8.	Grove Apartments LLC	Apartments	95,663,728	0.48
9.	Campbell Apartments Properties LLC	Apartments	94,033,229	0.47
10.	CRP Vasona LLC	Office Building	86,986,614	0.43
11.	SHI-III Campbell LP	Retail and Apartments	82,110,000	0.41
12.	Val-Fair Shopping Center	Shopping Center	79,090,287	0.39
13.	Cefalu Partners LP	Apartments	67,717,053	0.34
14.	San Jose Water Works	Water Company	65,170,068	0.32
15.	Kimberly Woods REIT Inc.	Apartments	63,279,690	0.32
16.	Sobrato Development Co. No. 940 LLC	Apartments	60,664,151	0.30
17.	PMI Orchard Ridge LLC	Apartments	56,518,763	0.28
18.	Hamilton Plaza Investors LLC	Shopping Center	56,184,853	0.28
19.	Bay Apartment Communities Inc.	Apartments	54,510,811	0.27
20.	Reserve REIT Inc.	Apartments	51,888,562	0.26
	Total Top 20		<u>\$2,935,243,485</u>	<u>14.63%</u>

Source: California Municipal Statistics, Inc.

(1) 2017-18 Local secured assessed valuation: \$20,057,366,723.

## Direct and Overlapping Debt

*Direct and Overlapping Debt.* Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt

as of April 1, 2018, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

# STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

## CAMPBELL UNION SCHOOL DISTRICT

2017-18 Assessed Valuation: \$20,749,116,901

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/18</u>
Santa Clara County	4.613%	\$ 46,702,012
West Valley-Mission Community College District	15.972	79,078,969
Campbell Union High School District	46.006	96,734,516
<b>Campbell Union School District</b>	<b>100.000</b>	<b>176,094,922<sup>(1)</sup></b>
City of San Jose	5.666	19,421,348
City of Saratoga	9.883	899,353
Midpeninsula Regional Open Space District	1.243	1,160,341
Santa Clara Valley Water District Flood Control Benefit Assessment District	4.613	3,795,807
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$423,887,268</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Clara County General Fund Obligations	4.613%	\$ 28,343,793
Santa Clara County Pension Obligation Bonds	4.613	16,493,651
Santa Clara County Board of Education Certificates of Participation	4.613	229,958
Santa Clara County Vector Control District Certificates of Participation	4.613	123,859
West Valley-Mission Community College District General Fund Obligations	15.972	10,071,943
Campbell Union High School District Certificates of Participation	46.006	4,600,600
<b>Campbell Union School District General Fund Obligations</b>	<b>100.000</b>	<b>2,995,000</b>
City of Campbell Certificates of Participation	68.583	5,562,659
City of San Jose Certificates of Participation	5.666	29,426,088
City of Santa Clara General Fund Obligations	2.205	411,122
Midpeninsula Regional Open Space District General Fund Obligations	1.243	1,529,395
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>99,788,068</b>
Less: Santa Clara County supported obligations		19,279,456
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>80,508,612</b>

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): 16,167,241

GROSS COMBINED TOTAL DEBT 539,842,577<sup>(2)</sup>  
NET COMBINED TOTAL DEBT 520,563,121

### Ratios to 2017-18 Assessed Valuation:

**Direct Debt (\$176,094,922)..... 0.85%**  
Total Direct and Overlapping Tax and Assessment Debt..... 2.04%  
**Combined Direct Debt (\$179,089,922)..... 0.86%**  
Gross Combined Total Debt ..... 2.60%  
Net Combined Total Debt ..... 2.51%

### Ratios to Redevelopment Incremental Valuation (\$753,362,946):

Total Overlapping Tax Increment Debt..... 2.15%

Source: California Municipal Statistics, Inc.

(1) Excludes general obligation bonds to be sold.

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



## **Bonding Capacity**

The District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2017-18 assessment roll, the District's gross bonding capacity is approximately \$259,363,961 and its net bonding capacity is \$83,269,038 (taking into account current outstanding debt before issuance of the Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

## **COUNTY POOLED INVESTMENT FUND**

*The following information has been provided by the County, and the District and Underwriter take no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.*

*General.* Under the California Education Code, the District is required to deposit all monies received from any source into the County Treasury to be held on behalf of the District. The County maintains a written policy (the "Investment Policy") with respect to the investment of public funds which provides a means to implement the basic objectives of its investment program pursuant to California Code Section 53630. The objective of the Investment policy is to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands, or liquidity needs of the treasury pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. The County's Investment Policy is reviewed and adopted by resolution by the County Board of Supervisors on an annual basis.

*County Treasury Pool.* The daily investment of Pool funds has been delegated to the County Treasurer/Tax Collector ("Treasurer") pursuant to Government Code section 53635 and by ordinance of the County Board of Supervisors. According to the Investment Policy, the primary objective of the investment of short term operating funds is to maintain the principal of such funds (safety) in investment vehicles which are easily converted to cash (liquidity) while obtaining a competitive market rate of return (yield) for the risk taken at the time of investing.

*Safety of principal.* Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses do not exceed the income generated from the remainder of the portfolio.

*Liquidity.* The investment portfolio shall remain sufficiently liquid to enable the depositors to meet all expenditure requirements that might be reasonably anticipated. A minimum of 30% of the invested assets, including cash held in commercial bank accounts, shall be kept in overnight liquid assets. In the event that unforeseen cash-flow fluctuations temporarily cause the ratio of overnight liquid assets to decline below 30% of the portfolio balance, no new investments will be made until the minimum ratio is restored.

*Return on Investment.* The county's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the County's investment risk constraints and the cash flow characteristics of the portfolio.

Excerpts from the County Treasurer's Quarterly Investment Report as of March 31, 2018, is attached hereto as APPENDIX D—EXCERPTS FROM THE COUNTY TREASURER'S QUARTERLY INVESTMENT REPORT AS OF MARCH 31, 2018.

## **LEGAL MATTERS**

### **Possible Limitations on Remedies; Bankruptcy**

*General.* Following is a discussion of certain considerations relating to potential bankruptcies of school districts in California. It is not an exhaustive discussion of the potential application of bankruptcy law to the District. State law contains a number of safeguards to protect the financial solvency of school districts. See "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (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 a district for the adjustment of its debts, assuming that such district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts under current State law 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 parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including ad valorem tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, 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, if the bankruptcy court were to determine that the alterations were fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary to pay the Bonds. 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, a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, a school district is a municipality. State law provides that the ad valorem taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the expenditure of such ad valorem taxes is respected in a bankruptcy case, then the ad valorem tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

*Statutory Lien.* Pursuant to Senate Bill 222 (2015) (“SB 222”) that became effective on January 1, 2016, all general obligation bonds issued by local agencies in California, including the Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. 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 taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

*Special Revenues.* If the ad valorem tax revenues that are pledged to the payment of the Bonds (see “THE BONDS – Security”) 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 revenues that are collected after the date of the bankruptcy filing 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. The District has specifically pledged the ad valorem taxes for payment of the Bonds. Additionally, the ad valorem taxes levied for payment of the Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects, or (ii) if the applicable bond proposition is approved by two-thirds of voters and such bonds must be issued for the acquisition or improvement of real property. Because 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 fund the acquisition or improvement of real property and other capital expenditures included in the proposition, 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 tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the ad valorem tax revenues are determined to be “special revenues,” the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the ad valorem tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds.

*Possession of Tax Revenues; Remedies.* If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not clear what procedures the owners of the Bonds would take or how effective they would be in obtaining possession of such tax revenues.

*Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights.* The proposed form of opinion of Bond Counsel, attached hereto as Appendix E, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights.

## **Legal Opinion**

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

## **TAX MATTERS**

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

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2018.

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

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

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

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

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

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

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

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

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

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical

form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

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

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

### **MUNICIPAL ADVISOR**

PFM Financial Advisors, LLC, San Francisco, California (“PFM”), is an independent financial advisory firm registered as a “Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board. PFM does not underwrite, trade or distribute municipal or other public securities. PFM has assisted the District in connection with the planning, structuring, sale and issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by PFM. The fees of PFM in respect to the Bonds are contingent upon their sale and delivery.

### **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than March 31 after the end of the District’s fiscal year (the current end of the District’s fiscal year is on June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain events listed in the District’s Continuing Disclosure Certificate, the form of which is in APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board (the “MSRB”), by posting on the MSRB’s Electronic Municipal Market Access or “EMMA” system (website: [www.emma.msrb.org](http://www.emma.msrb.org)). These continuing disclosure covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Within the past five years, the District has not materially failed to file in a timely manner the annual reports required in connection with its prior continuing disclosure undertakings. Over the last five years, certain of the District’s annual reports did not include information on the District’s ten largest taxpayers and the District failed to file certain notices of listed events related to bond insurer rating changes in a timely manner. The District has now filed information on the ten largest taxpayers and bond insurer rating changes for completeness. Identification of the foregoing instances of potential non-compliance is not intended and should not be construed as a representation that such instances are

material. The District has retained PFM Financial Advisors LLC to serve as dissemination agent moving forward.

### **LEGALITY FOR INVESTMENT IN CALIFORNIA**

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

### **ABSENCE OF MATERIAL LITIGATION**

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

### **RATINGS**

Fitch Ratings ("Fitch") and Moody's Investor's Service (Moody's") have assigned the ratings of "AAA" and "Aa1," respectively, to the Bonds. These ratings reflect only the views of Fitch and Moody's and explanations of the significance of each such rating may be obtained from Fitch or Moody's. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Fitch and Moody's, if in the judgment of Fitch or Moody's, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District has covenanted in the Continuing Disclosure Certificate to file on the EMMA website notices of any rating changes on the Bonds. See APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from Fitch and Moody's prior to such information being provided to the District and prior to the date the District is obligated to file a notice of a rating change on EMMA. Purchasers of the Bonds are directed to Fitch and Moody's, their websites and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

### **UNDERWRITING**

The Bonds were sold by competitive bidding on June 19, 2018, to \_\_\_\_\_ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of \$\_\_\_\_\_ (being equal to the aggregate principal amount of the Bonds (\$\_\_\_\_\_), plus a net original issue premium of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_). 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 said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain

dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

### **ADDITIONAL INFORMATION**

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

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

### **EXECUTION**

Execution and delivery of this Official Statement have been duly authorized by the District.

CAMPBELL UNION SCHOOL DISTRICT

By \_\_\_\_\_  
Dr. Shelly Viramontez,  
Superintendent



## APPENDIX A

### GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF CAMPBELL AND SANTA CLARA COUNTY

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

#### Introduction

*The County.* The District is located in Santa Clara County. Santa Clara County (the “County”) covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, twenty miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as “Silicon Valley”. Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

The County has been steadily growing for the last two decades. According to the U.S. Census Bureau, the population of the County has grown more than 25 percent since 1990. It is the sixth most populated county in California. Santa Clara County is home to nearly 5 percent of the State’s population. There are 15 incorporated cities located in the County and over 95 percent of the County residents live in those cities. The County seat is located in San Jose, which is the largest city in the Bay Area. San Jose is also the third largest city in California, and the tenth largest city in the country.

The County operates under a Home Rule Charter adopted by the voters of the County. Policy making and legislative authority is vested in the County Board of Supervisors (the “Board”), which consists of an elected supervisor from each of the County’s five districts. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the County Executive and certain non-elected department heads. Supervisors are elected to four-year staggered terms. The County, with over 15,000 full-time equivalent employees, provides a full range of services to its residents.

## Population

The table below summarizes population of the County and the State of California for the last five years.

### SANTA CLARA COUNTY and CALIFORNIA Population

Year	Santa Clara County	State of California
2013	1,856,416	38,238,492
2014	1,879,196	38,572,211
2015	1,903,209	38,915,880
2016	1,922,619	39,189,035
2017	1,938,180	39,523,613

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-2017, with 2010 Census Benchmark.

## Employment

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

### SANTA CLARA COUNTY Labor Force and Industry Employment Annual Averages by Industry

	2012	2013	2014	2015 <sup>(1)</sup>	2016 <sup>(1)</sup>
Total, All Industries	914,800	950,700	991,000	1,028,900	1,060,600
Total Farm	3,300	3,300	3,500	3,700	3,900
Mining and Logging	200	300	300	200	300
Construction	34,100	36,700	38,800	42,900	47,600
Manufacturing	153,700	153,600	156,700	160,200	161,300
Wholesale Trade	34,600	36,000	36,900	36,800	37,400
Retail Trade	81,900	82,500	83,900	85,100	85,000
Transportation, Warehousing & Utilities	12,500	13,400	13,900	14,100	14,800
Information	54,100	58,600	65,600	70,400	74,500
Financial Activities	32,900	33,300	33,800	34,200	35,200
Professional & Business Services	177,200	190,100	201,800	215,200	224,100
Educational & Health Services	135,700	142,600	148,700	154,900	160,600
Leisure & Hospitality	81,300	86,300	90,700	94,500	97,600
Other Services	24,400	25,000	26,000	26,500	27,000
Government	88,700	89,000	90,600	90,100	91,200

Source: California Employment Development Department, based on March 2017 benchmark.

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

(1) Last available full year data.

The following table summarizes historical employment and unemployment for Santa Clara County, the State of California and the United States:

**SANTA CLARA COUNTY, CALIFORNIA, and UNITED STATES**  
**Civilian Labor Force, Employment, and Unemployment**  
**(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2013	Santa Clara County	923,200	860,100	63,200	6.8%
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	Santa Clara County	995,600	943,800	51,800	5.2
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	Santa Clara County	1,018,400	976,100	42,300	4.2
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	Santa Clara County	1,026,500	987,900	38,600	3.8
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017 <sup>(2)</sup>	Santa Clara County	1,042,000	1,008,600	33,400	3.2
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2017, and US Department of Labor.

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

(2) Latest available full-year data.

## Major Employers

The following table lists the top 10 employers within Santa Clara County according to Santa Clara County's FY2016-17 CAFR.

### SANTA CLARA COUNTY 2017 Major Employers

Employer	Employees	% of Total County Employment
Apple Computer, Inc.	25,000	2.53%
Alphabet Inc.	20,000	2.02
County of Santa Clara	18,244	1.85
Stanford University	16,919	1.71
Cisco Systems Inc.	15,700	1.59
Kaiser Permanente	12,500	1.27
Stanford Healthcare	10,034	1.02
Tesla Motors Inc.	10,000	1.01
Facebook Inc	9,385	.95
Intel Corporation	8,500	.86
Total Top 10	146,282	14.81%

Source: Santa Clara County 2016-17 CAFR.

## Construction Activity

The following table reflects the five-year history of building permit valuation for the County:

### SANTA CLARA COUNTY Building Permits and Valuation (Dollars in Thousands)

	2012	2013	2014	2015	2016 <sup>(1)</sup>
<b>Permit Valuation:</b>					
New Single-family	\$ 676,168	\$ 694,884	\$ 594,472	\$ 653,970	\$ 660,301
New Multi-family	558,544	941,420	1,196,127	706,781	564,761
Res. Alterations/Additions	288,105	423,739	439,747	505,844	484,820
Total Residential	1,524,818	2,060,044	2,230,347	1,866,595	1,709,882
Total Nonresidential	1,885,769	6,264,620	2,655,412	3,589,800	4,698,158
Total All Building	3,410,587	8,324,665	4,885,760	5,456,396	6,408,041
<b>New Dwelling Units:</b>					
Single Family	141	1,859	1,602	1,710	1,608
Multiple Family	44	6,009	8,310	3,906	3,297
Total	185	7,868	9,912	5,616	4,905

Source: Construction Industry Research Board: "Building Permit Summary," California Cities and Counties Data for Calendar Years 2012-2016.

Note: Totals may not add due to independent rounding.

(1) Last available full year data.

## Median Household Income

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

### SANTA CLARA COUNTY, CALIFORNIA and UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2013	Santa Clara County	\$ 61,802,913	\$ 70,595
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Santa Clara County	66,130,110	75,008
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	Santa Clara County	85,859,495	88,243
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735

Source: Nielsen Claritas, Inc.

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## APPENDIX B

### DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

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

#### **Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System**

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts. Commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The new formula for school funding is known as the "Local Control Funding Formula" (the "Local Control Funding Formula" or "LCFF"). The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a base rate per student multiplied by the school district's average daily attendance ("ADA") for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local control and accountability plans describing how the school district intends to educate its students and achieve annual education goals to be achieved in state-mandated areas of priority.

Under the prior system, California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's ADA. The base revenue limit was calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This was referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution. A school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly

referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is a community funded district.

The Local Control Funding Formula is also based on ADA. ADA can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in ADA will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

### **Average Daily Attendance**

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to Fiscal Year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in Fiscal Year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After Fiscal Year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District’s enrollment, ADA and LCFF Revenues for the most recent fiscal years.

#### **AVERAGE DAILY ATTENDANCE, LCFF AND ENROLLMENT Fiscal Years 2013-14 to 2017-18**

<b>Fiscal Year</b>	<b>Average Daily Attendance<sup>(1)</sup></b>	<b>LCFF Revenues<sup>(2)</sup></b>	<b>Enrollment<sup>(3)</sup></b>
2013-14	7,416	\$ 56,598,241	7,653
2014-15	7,393	60,199,705	7,646
2015-16	7,340	67,899,556	7,600
2016-17	7,215	70,934,524	7,544
2017-18 <sup>(4)</sup>	7,151	71,799,598	7,477

Source: Campbell Union School District

- (1) Except for fiscal year 2017-18, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
- (2) 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.
- (3) Except for fiscal year 2017-18, enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”) in each school year.
- (4) As projected in the District’s 2017-18 2nd Interim Report, adopted March 1, 2018.



*Effect of Changes in ADA.* Changes in local property tax income and student enrollment (or ADA) affect community funded districts and revenue limit districts, now known as “LCFF districts,” differently. In a LCFF district increasing enrollment increases the amount allocated under LCFF and thus generally increases a district’s entitlement to State aid, while increases in property taxes do nothing to increase district revenues, but only offset the State aid funding requirement. Operating costs typically increase disproportionately slower than enrollment growth until the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State aid, while operating costs typically decrease slowly until the district decides to lay off teachers, close schools, or initiate other cost-saving measures.

In community funded districts, such as the District, the opposite is generally true: increasing enrollment does increase the amount allocated under LCFF, but since all LCFF income (and more) is already generated by local property taxes, there is typically no increase in State income. New students impose increased operating costs, but typically at a slower pace than enrollment growth, and the effect on the financial condition of a community funded district would depend on whether property tax growth keeps pace with enrollment growth. Declining enrollment typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

For LCFF districts, any loss of local property taxes is made up by an increase in State aid. For community funded districts, the loss of tax revenues is not reimbursed by the State.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in and out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the district to make adjustments in fixed operating costs.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State’s ability to meet the revenue and spending assumptions in the State’s adopted budget, and the effect of these changes on school finance. The District’s 2nd Interim Report and projected ADA are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District’s actual funding level for fiscal year 2017-18 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

## **District Budget**

The District is required by the provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets’ ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

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 local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district boards must be notified by August 15 of the county superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

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

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

The District's 2nd Interim Report for fiscal year 2017-18 was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years. The District adopted its 2017-18 2nd Interim Report on March 1, 2018.

### **Accounting Practices**

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual,

according to section 41010 of the California Education Code, is to be followed by all California school districts.

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

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

### **Financial Statements**

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2017, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 155 North Third Street, Campbell, CA 95008, telephone number (408) 364-4200. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017.

The following table shows the District's audited revenues, expenditures and changes in fund balances for the past four fiscal years as well as budgeted projections for 2017-18.

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Years 2013-14 to 2017-18**

	Fiscal Year				
	2013-14 Audited	2014-15 Audited	2015-16 Audited	2016-17 Audited	2017-18 <sup>(1)</sup> Projected
<b>REVENUES</b>					
Revenue Limit/LCFF Sources <sup>(1)</sup>	\$56,598,241	\$60,199,705	\$67,899,556	\$70,934,524	\$71,799,598
Federal Sources	2,825,522	3,253,544	3,228,240	3,015,349	3,215,825
Other State Sources	4,878,258	3,545,866	8,330,747	7,403,503	7,342,162
Other Local Sources	7,247,910	6,371,401	6,458,374	6,594,302	7,687,521
Total Revenues	71,549,931	73,370,517	85,916,917	87,947,678	90,045,108
<b>EXPENDITURES</b>					
Certificated Salaries	35,325,547	36,831,279	38,082,395	40,676,976	42,096,487
Classified Salaries	10,515,280	10,978,830	12,073,145	12,983,913	13,687,079
Employee Benefits	12,318,075	12,744,394	14,775,470	19,448,996	20,964,397
Books and Supplies	3,944,725	4,720,939	5,101,568	4,191,970	6,081,683
Contract Services	7,531,001	7,119,509	6,925,648	8,143,264	7,545,686
Capital Outlay	244,113	82,324	507,000	989,839	1,135,311
Other Outgo	373,538	(166,889)	250,343	205,989	185,461
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total Expenditures	70,252,279	72,310,386	77,715,569	86,640,947	91,696,016
Excess (Deficiency) of Revenues over Expenditures	1,297,652	1,060,131	8,201,348	1,306,731	(1,650,997)
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in	275,400	275,400	96,419	-	935,822
Operating transfers out	(8,900,000)	(300,000)	(10,100,000)	(4,357,824)	(2,600,000)
Other sources	-	-	-	-	-
Total financing sources (uses)	(8,624,600)	(24,600)	(10,003,581)	(4,357,824)	(1,664,177)
Net change in fund balances	(7,326,948)	1,035,531	(1,802,233)	(3,051,093)	(3,315,174)
Fund Balance, July 1	27,100,586	19,773,638	20,809,169	19,057,108	16,006,513
Fund Balance, June 30	19,773,638	20,858,987	19,057,108	16,006,513	12,691,339

Source: Campbell Union School District 2014-2017 audited financial statements and 2017-18 2nd Interim Report.

(1) From the District's 2017-18 2nd Interim Report, adopted March 1, 2018.

### Summary of District Revenues and Expenditures

The District's audited financial statements for the year ending June 30, 2016, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general

fund expenditures, based on total student attendance below 30,000. For fiscal year 2017-18, the District has budgeted an unrestricted general fund reserve of 3%, or approximately \$2,828,883. Substantially all funds of the District are required by law to be deposited with and invested by the County Director of Finance on behalf of the District, pursuant to law and the investment policy of the County. See “INVESTMENT OF DISTRICT FUNDS” in the front portion of this Official Statement.

*Local Control Funding Formula.* The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State’s general fund, and (ii) a local portion derived from the School District’s share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for Fiscal Year 2013-14 (the “2013-14 State Budget”), State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”) was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district’s student demographic. Each school district and charter school will receive a base grant per its ADA used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in fiscal year 2013-14 an annual transition adjustment has been calculated for each individual school district, equal to such district’s proportionate share of appropriations included in the State Budget. The Governor’s Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to \$7,643 per unit of ADA (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.
- A 20% supplemental grant for students classified as English learners (“EL”), those eligible to receive a free or reduced price meal (“FRPM”) and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an “unduplicated count.”
- An additional concentration grant equal to 50% of a local education agency’s base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district’s or charter school’s total enrollment.

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 2013-14 through 2017-18.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Fiscal Years 2013-14 through 2017-18**

Fiscal Year	Average Daily Attendance				Total District ADA	Total District Enrollment <sup>(2)</sup>	% of EL/LI Enrollment <sup>(3)</sup>
	K-3	4-6	7-8	9-12			
2013-14	3,555	2,419	1,501	—	7,475	7,653	54.00%
2014-15	3,525	2,459	1,406	—	7,450	7,646	54.00
2015-16	3,483	2,419	1,438	—	7,340	7,600	52.63
2016-17	3,412	2,378	1,425	—	7,215	7,544	51.21
2017-18 <sup>(4)</sup>	3,325	2,334	1,403	—	7,062	7,298	52.08

Source: Campbell Union School District

(1) Reflects P-2 ADA.

(2) Reflects CBEDS enrollment.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students 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 will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) As projected in the District's 2017-18 2nd Interim Report, adopted March 1, 2018.

Of the more than \$25 billion in funding to be invested through the LCFF through full implementation of the LCFF, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was \$7,643, which was an increase of \$2,375 from the prior year's average revenue limit. Base grants are adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. 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 and restoration of categorical funding to pre-recession levels. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (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 categorical block grant add-ons, will yield a school 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 the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

The new legislation includes a “hold harmless” provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its Fiscal Year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors (“unduplicated” count) is shown below:

**CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS  
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION  
LOCAL CONTROL TARGET FUNDING FORMULA 2017-18**

Grade Levels	2016-17 Base Grants per ADA	2017-18 COLA (0.00%)	Grade Span Adjustments	2017-18 Grant/Adjusted Base Grant per ADA
TK-3	\$7,083	\$110	\$748	\$7,941
4-6	7,189	112	—	7,301
7-8	7,403	115	—	7,518
9-12	8,578	134	227	8,939

Source: California Department of Education

Beginning July 1, 2015, school districts are required to develop a three-year Local Control and Accountability Plan (each, a “LCAP”). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to school districts and county offices of education under their jurisdiction. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence (the “Collaborative”) to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office’s local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

*Federal Sources.* The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

*Other State Sources.* In addition to LCFF revenues, the District receives substantial other State revenues. The LCFF replaced most of the State categorical program funding that existed prior to Fiscal Year 2013-14. Categorical funding for certain programs was excluded from the LCFF, and school districts continue to receive restricted State revenues to fund these programs. These other State revenues are

primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, and Tier 3 Funding.

Other State revenues include the California State Lottery (the “Lottery”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

*Other Local Sources.* In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources.

## **District Expenditures**

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

*Labor Relations.* Currently the District employs 412.5 full-time equivalent (FTE) certificated employees, 194.1 FTE classified. There are two formal bargaining organizations operating in the District as detailed in the table below.

### **LABOR ORGANIZATIONS Campbell Union School District**

Labor Organization	Members	Contract Expiration
Campbell Elementary Teachers Association	412	June 30, 2019
California School Employees Association	194	June 30, 2019

Source: Campbell Union School District

## **District Retirement Programs**

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

**STRS.** All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries 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 recently 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%
July 1, 2017	10.250%	9.205%

Source: AB 1469.

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 District</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 contribution to STRS for the most recent fiscal years was as follows:

Fiscal Year	District STRS Contribution
2012-13	\$ 2,852,077
2013-14	2,886,923
2014-15	3,244,082
2015-16	4,035,819
2016-17	5,036,232
2017-18 <sup>(1)</sup>	9,219,002

Source: Campbell Union School District

(1) Projected.

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll for fiscal year 2017-18 and 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 COLA's, 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, 2014 included 1,580 public agencies and 1,513 K-14 school districts. 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 was 13.888% of eligible salary expenditures for fiscal year 2016-17, 15.531% in fiscal year 2017-18 and 18.062% for fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries for fiscal years 2015-16 and 2016-17. See “—California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contribution to PERS for the five most recent fiscal years was as follows:

Fiscal Year	District PERS Contribution
2012-13	\$ 1,245,520
2013-14	1,408,519
2014-15	1,473,728
2015-16	1,698,474
2016-17	2,262,438
2017-18 <sup>(1)</sup>	2,100,945

Source: Campbell Union School District

(1) Projected.

For further information about the District’s contributions to STRS and PERS, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017—Note 15.

*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 following table 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**  
**(Dollar Amounts in Millions)(1)**  
**Fiscal Years 2010-11 through 2016-17**

STRS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)(3)	Value of Trust Assets (AVA)(4)	Unfunded Liability (MVA)(4)
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

PERS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)(3)	Value of Trust Assets (AVA)(4)	Unfunded Liability (MVA)(4)
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>(5)</sup>	— <sup>(5)</sup>
2014-15	73,325	56,814	16,511	— <sup>(5)</sup>	— <sup>(5)</sup>
2015-16	77,544	55,785	21,759	— <sup>(5)</sup>	— <sup>(5)</sup>
2016-17 <sup>(6)</sup>	84,416	60,865	23,551	— <sup>(5)</sup>	— <sup>(5)</sup>

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

(1) Amounts may not add due to rounding.

(2) Reflects market value of assets.

(3) Excludes assets allocated to the SBPA reserve.

(4) Reflects actuarial value of assets.

(5) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

(6) On April 18, 2018, the PERS Board approved the K-14 school district contribution rate for fiscal year 2018-19 and released certain actuarial information to be incorporated into the June 30, 2017 actuarial valuation to be released in the summer of 2018

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. The following are certain of the actuarial assumptions adopted by the STRS Board with respect to the STRS Defined Benefit Program Actuarial Valuation for fiscal year 2015-16: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” 7.25% investment rate of return (net of investment and administrative expenses), 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation. According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016, the future revenue from contributions and appropriations for the STRS Defined Benefit Program was projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

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 the next three years 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 will go 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. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

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

The District's proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2017, are as shown in the following table.

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expenses
STRS	\$ 60,712,416	\$ 9,862,840	\$ 3,707,749	\$ 5,518,232
PERS	23,543,713	7,472,633	707,348	3,261,979
Totals	84,256,129	17,335,473	4,415,097	8,780,211

Source: Campbell Union School District 2016-17 Audited Financial Statements

For additional information, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017—Note 15.

### Postemployment Benefits Other Than Pension Benefits

benefit healthcare plan administered by the Campbell School District. The Plan provides health care benefits insurance benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Membership of the Plan consists of 69 retirees currently receiving benefits and 752 active plan members. Board restricted amount of the plan is presented in these financial statements as the Retiree Benefits Trust Fund. The over funded portion of annual required contributions (net OPEB obligation) is presented in the statement of net position as a portion of long-term assets.

*Contribution Information.* The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on negotiated benefits caps with no future increases in the caps and with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2016-2017, the District contributed \$1,335,861 to the plan of which \$959,533 was deposited in the irrevocable trust and \$376,328 was paid for retiree health benefits by the District. Plan members are paid an annual amount equal to \$3,250 for premiums incurred by retirees and their dependents for a period of five years or up to ten years.

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

**OPEB OBLIGATIONS**  
**Fiscal Year 2016-17**

Annual required contribution	\$ 654,609
Interest on net OPEB obligation	(128,281)
Adjustment to annual required contribution	160,074
Annual OPEB cost (expense)	<u>686,402</u>
Contributions made	<u>(1,335,861)</u>
Increase in net OPEB obligation	(649,459)
Net OPEB obligation, beginning of the year	(2,441,606)
Net OPEB obligation (asset), end of the year	<u>(3,091,065)</u>

Source: Campbell Union School District 2016-17 Audited Financial Statements.

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

**HISTORICAL OPEB OBLIGATIONS**  
**Fiscal Years 2013-14 to 2016-17**

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
2016-17	\$ 686,402	195%	\$ 3,091,065
2015-16	686,986	194%	2,441,606
2014-15	332,656	112%	1,794,473

Source: Campbell Union School District 2016-17 Audited Financial Statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017, Note 13.

## **Risk Management**

*Property and Liability.* The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.



During fiscal year ending June 30, 2017, the District contracted with South Bay Area Schools Insurance Authority 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.

*Employee Medical Benefits.* The District has contracted with the Kaiser and Blue Shield to provide employee health benefits. The rates are set through an annual calculation process.

*Worker's Compensation.* The District is self-insured for Workers' Compensation. The District's workers' compensation activities are recorded in the Internal Service Fund. The purpose of the fund is to administer workers' compensation on a cost reimbursement basis.

For fiscal year 2017, the District participated in the CSAC Excess Insurance Authority, an insurance purchasing pool. The intent of the CSAC Excess Insurance Authority is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CSAC Excess Insurance Authority. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CSAC Excess Insurance Authority. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the CSAC Excess Insurance Authority. Participation in the CSAC Excess Insurance Authority is limited to districts that can meet the CSAC Excess Insurance Authority selection criteria.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016, Note 14.

## District Debt Structure

*General Obligation Bonds.* The following table shows all of the District's outstanding general obligation bonds including the Bonds of this issue.

### ISSUED AND OUTSTANDING GENERAL OBLIGATION BONDS Campbell Union School District As of June 1, 2018

	Date	Series Name	Original Principal Amount	Outstanding Amount as of June 1, 2018
Election of 1994	9/18/1996	Series B	\$ 9,997,058	\$ 3,439,253
Election of 2010	9/16/2010	Series A	24,999,924	24,999,924
	8/1/2011	Series B	22,500,000	22,500,000
	8/1/2011	Series C	2,499,400	2,499,400
	4/9/2014	Series D	16,000,000	16,000,000
	5/5/2015	Series E	15,000,000	15,000,000
	2/14/2017	Series F	8,000,000	8,000,000
Election of 2016	2/14/17	Series A	20,000,000	20,000,000
			118,996,382	112,438,578
Refunding Bonds	3/24/1998	1998 GO Refunding Bonds	17,951,345	2,246,345
	5/5/2008	2008 GO Refunding Bonds	9,680,000	605,000
	7/19/2011	2011 GO Refunding Bonds	24,550,000	17,290,000
	5/5/2014	2014 GO Refunding Bonds	4,970,000	4,235,000
	5/5/2015	2015 GO Refunding Bonds	39,980,000	39,280,000
			103,356,345	63,656,345
Total			222,352,727	176,094,923

<sup>(1)</sup> Amount shown is current denominational amount.

The following table shows the District's debt service obligations with respect to its outstanding general obligation bonds.

**DEBT SERVICE OBLIGATIONS ON  
OUTSTANDING GENERAL OBLIGATION BONDS  
Campbell Union School District  
As of June 1, 2018**

Period Ending (8/1)	Election of 1994 Series B	1998 Refunding Bonds	2008 Refunding Bonds	Election of 2010 Series A	2011 Refunding Bonds	Election of 2010 Series B (1)	Election of 2010 Series C	Election of 2010 Series D	2014 Refunding Bonds	2015 Refunding Bonds	Election of 2010 Series E	Election of 2010 Series F	Election of 2016 Series A	Total
2018	1,285,000	\$4,050,000	23,448	—	1,444,250	1,216,350	—	754,375	365,969	2,110,625	571,250	3,066,844	1,091,787	15,979,898
2019	1,375,000	4,260,000	23,448	—	1,439,850	1,216,350	—	802,875	363,619	2,222,875	571,250	1,275,563	745,813	14,296,642
2020	5,950,000	—	23,448	—	1,435,950	1,216,350	—	849,875	361,119	2,306,375	571,250	173,063	745,813	13,633,242
2021	6,280,000	—	23,448	—	1,588,700	1,216,350	—	893,875	363,469	2,251,875	571,250	173,063	745,813	14,107,842
2022	—	—	23,448	2,585,280	2,160,500	4,196,350	—	685,875	418,169	2,433,425	571,250	173,063	745,813	13,993,172
2023	—	—	23,448	2,585,280	2,153,750	4,470,251	—	685,875	415,044	2,382,675	571,250	173,063	745,813	14,206,448
2024	—	—	23,448	2,585,280	1,913,750	4,520,636	—	685,875	417,619	2,482,425	571,250	173,063	745,813	14,119,158
2025	—	—	318,448	2,585,280	1,902,000	4,568,317	—	685,875	412,419	2,580,175	571,250	173,063	995,813	14,792,639
2026	—	—	322,090	2,585,280	2,177,500	4,612,753	—	685,875	413,363	2,680,675	571,250	173,063	1,033,313	15,487,323
2027	—	—	—	2,585,280	1,044,000	4,648,405	—	685,875	412,713	4,348,425	571,250	173,063	1,018,313	15,539,968
2028	—	—	—	6,195,280	1,739,750	—	—	685,875	411,763	4,459,675	571,250	223,063	1,253,313	15,982,668
2029	—	—	—	6,511,730	1,734,000	—	—	685,875	410,513	4,572,925	571,250	220,563	1,275,813	15,982,668
2030	—	—	—	6,839,855	1,735,000	—	—	685,875	413,000	4,687,525	571,250	218,063	1,345,813	16,496,380
2031	—	—	—	7,177,455	2,147,250	—	—	685,875	—	4,811,925	571,250	216,563	1,374,813	16,985,130
2032	—	—	—	7,532,330	—	—	—	685,875	—	4,935,325	571,250	215,063	1,402,313	15,342,155
2033	—	—	—	7,896,730	—	—	—	685,875	—	5,057,325	571,250	213,500	1,377,313	15,801,993
2034	—	—	—	8,278,350	—	—	—	685,875	—	2,740,975	571,250	211,875	1,451,313	13,939,638
2035	—	—	—	8,675,600	—	—	—	685,875	—	3,304,725	571,250	210,188	1,520,938	14,968,575
2036	—	—	—	—	—	—	4,695,000	1,435,875	—	—	1,571,250	208,500	1,537,188	9,543,063
2037	—	—	—	—	—	—	4,700,000	1,498,375	—	—	1,537,500	206,750	1,600,438	9,543,063
2038	—	—	—	—	—	—	—	1,564,375	—	—	1,503,750	205,000	1,610,188	18,941,625
2039	—	—	—	—	—	—	4,700,000	1,566,875	—	—	1,470,000	203,250	1,418,188	9,358,313
2040	—	—	—	—	—	—	4,700,000	1,716,875	—	—	1,435,000	201,438	1,480,125	9,533,438
2041	—	—	—	—	—	—	—	3,706,875	—	—	3,775,000	199,625	1,538,438	9,219,938
2042	—	—	—	—	—	—	—	3,818,750	—	—	3,640,000	197,813	1,543,125	9,199,688
2043	—	—	—	—	—	—	—	4,170,000	—	—	3,380,000	196,000	1,646,000	9,392,000
2044	—	—	—	—	—	—	—	—	—	—	—	1,044,000	838,000	1,882,000
2045	—	—	—	—	—	—	—	—	—	—	—	1,008,000	910,000	1,918,000
2046	—	—	—	—	—	—	—	—	—	—	—	972,000	978,000	1,950,000
2047	—	—	—	—	—	—	—	—	—	—	—	936,000	1,092,000	2,028,000
Total	14,890,000	8,310,000	804,674	74,619,010	24,616,250	31,882,112	23,495,000	32,381,250	5,178,779	60,369,950	28,595,000	13,034,165	35,807,423	353,983,613

<sup>(1)</sup> Amount shown does not reflect federal subsidy.

*Capital Leases.* On November 14, 2012, the District entered into a lease agreement with Public Property Financing Corporation of California maturing on June 1, 2027, under the terms of which the District is leasing certain facilities for a total principal amount of \$3,500,000, at an annual interest rate of 2.75%.

## **Final 2017-18 State Budget**

On June 27, 2017, the Governor signed the 2017-18 State Budget (the “Final 2017-18 State Budget”). The additional spending added to the Final 2017-18 State Budget since the May Revision is primarily one-time in nature, which avoids ongoing commitments that would put pressure on future state budgets.

The Final 2017-18 State Budget includes total general fund spending of \$125 billion, with a funding increase of more than \$3 billion for K-12 education (approximately \$1 billion more than the Governor proposed in the 2017-18 Proposed Budget) and an expanded tax credit for low-wage workers. The Final 2017-18 State Budget allocates \$2.8 billion (expected from increases in the gas tax and vehicle registration fees) to be applied to road repairs, transit and other transportation infrastructure projects and proposes to spend portions of more than \$1 billion the State expects to receive each year from the tobacco tax (approved by California voters in November of 2016) that would allow raising reimbursement rates for doctors and dentists who provide publicly funded care (\$465 million) and for other providers, including those working in women’s health (\$81 million). While the Final 2017-18 State Budget also includes \$1.8 billion to the State’s reserve fund, it does not include an extension of the State’s program for the regulation of climate-warming greenhouse gases known as “cap and trade,” which is set to expire in 2020.

*Significant provisions in the Final 2017-18 State Budget relating to K-12 education.* The Final 2017-18 State Budget includes total funding of \$92.5 billion (\$54.1 billion from the General Fund and \$38.4 billion from other funds) for all K-12 education programs, plus Proposition 98 funding of \$74.5 billion for Fiscal Year 2017-18, an increase of \$2.6 billion over the 2016 Budget Act level. Significant features of the Final 2017-18 State Budget affecting K-12 schools include the following:

- *Local Control Funding Formula.* An increase of almost \$1.4 billion in Proposition 98 General Fund monies to continue the State’s transition to the LCFF, an increase that will bring the LCFF to 97% of full implementation.
- *One Time Discretionary Grants.* An increase of \$877 million in Proposition 98 General Fund monies to provide school districts, county offices of education, and charter schools with discretionary resources to support critical investments at the local level to be used for activities such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and implementation of new educational standards.
- *After School and Education Safety (ASES) Program.* An increase of \$50 million in Proposition 98 General Fund monies to increase provider reimbursement rates for the ASES program, bringing the total spending on the program to \$600 million.
- *Teacher Workforce.* A combined increase of \$41.3 million in one-time (\$30 million in one-time Proposition 98 General Fund monies and \$11.3 million in one-time federal Title II funds) to fund several programs aimed at recruiting and developing additional teachers and school

leaders, with particular emphasis on key shortage areas such as special education, math, science, and bilingual education.

- *California Educator Development Program.* An increase of \$11.3 million in onetime federal Title II funds for a competitive grant program that assists local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high-need subjects and schools.
- *Classified School Employees Credentialing Program.* An increase of \$25 million in onetime Proposition 98 General Fund monies, available for five years, to support a second cohort of the California Classified School Employees Credentialing Program established in the 2016 Budget Act.
- *Bilingual Professional Development Program.* An increase of \$5 million in onetime Proposition 98 General Fund monies for onetime competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.
- *Charter School Facility Grant Program.* An increase in the per student funding rate to \$1,117 for Fiscal Year 201718 and an ongoing cost-of-living adjustment for the program moving forward.
- *Refugee Student Support.* An increase of \$10 million in onetime Proposition 98 General Fund monies to provide additional services for refugee students transitioning to a new learning environment.

## **2018-19 Proposed State Budget**

On January 10, 2018, the Governor released his proposed State budget for Fiscal Year 2018-19 (the “2018-19 Proposed State Budget”).

The 2018-19 Proposed State Budget proposes \$78.3 billion with respect to the Proposition 98 minimum funding guarantee for Fiscal Year 2018-19. When combined with more than \$100 million in settle-up payments for prior years, the Budget proposes an increased investment of \$4.6 billion in K-14 education.

Building upon significant funding increases provided over the past five years, the 2018-19 Proposed State Budget proposes advancing the core priorities of the Administration to fund the Local Control Funding Formula, pay down debts owed to schools, and support local educational agencies in their efforts to improve outcomes for low-achieving students. The 2018-19 Proposed State Budget proposes a roughly \$3 billion investment to fully implement the LCFF two years earlier than originally projected. It also proposes almost \$1.8 billion in discretionary one-time Proposition 98 funding for school districts, charter schools, and county offices of education, along with more than \$70 million in ongoing Proposition 98 funding to expand the state system of technical support for local educational agencies.

The 2018-19 Proposed State Budget proposes an additional \$3.5 billion deposit to fund the Rainy Day Fund to a total of \$13.5 billion, which is 100% of the constitutional target. Personal income taxes are estimated to contribute approximately \$94.051 billion of a total of \$136.245 billion (approximately 69% of estimated Fiscal Year 2018-19 State general fund revenues).

Significant proposals of the 2018-19 Proposed State Budget affecting K-12 school districts include:

- *School District Local Control Funding Formula* – An increase of \$3 billion in Proposition 98 State general fund for full implementation of the Local Control Funding Formula.
- *One-Time Discretionary Funding* – An increase of \$1.8 billion in one-time Proposition 98 State general fund for school districts, charter schools and county offices of education to use at local discretion. This allocation builds on the more than \$5.7 billion in combined one-time funding provided since 2014-15, to support critical investments such as academic content standards implementation, technology, professional development, induction programs for beginning teachers, deferred maintenance, and employee benefits. All of the funds provided will offset any applicable mandate reimbursement claims for these entities.
- *K-12 Component of the Strong Workforce Program* – An increase of \$212 million Proposition 98 State general fund for K-12 Career technical education (“CTE”) programs administered through the community college Strong Workforce Program in consultation with the Department of Education.
- *Cost-of-Living Adjustments* – An increase of \$133.5 million Proposition 98 State general fund to support a 2.51% cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of- living adjustments for school districts and charter schools are provided within the increases for school district Local Control Funding Formula implementation noted above.
- *State System of Support* – An increase of \$59.2 million Proposition 98 State general fund for county offices of education and lead county offices of education to provide technical assistance to local educational agencies and improve student outcomes.
- *Local Property Tax Adjustments* – A decrease of \$514 million Proposition 98 General Fund for school districts and county offices of education in 2017-18 as a result of higher offsetting property tax revenues, and a decrease of \$1.1 billion Proposition 98 General Fund for school districts and county offices of education in 2018-19 as a result of increased offsetting property taxes.
- *School District Average Daily Attendance* – A decrease of \$183.1 million in 2017-18 for school districts as a result of a decrease in projected average daily attendance from the 2017 Budget Act, and a decrease of \$135.5 million in 2018-19 for school districts as a result of further projected decline in average daily attendance for 2018-19.

The 2018-19 Proposed State Budget also discusses the Kindergarten through Community College Public Education Facilities Bond Act of 2016 (Proposition 51) which authorizes \$7 billion in state general obligation bonds for K-12 schools to be allocated through the current School Facilities Program in place as of January 1, 2015. To ensure appropriate usage of all School Facilities Program bond funds and effective program accountability and oversight, the Administration worked with the State Allocation Board and the

Office of Public School Construction to revise policies and regulations to implement front- end grant agreements that defined basic terms, conditions, and accountability measures for participants that request funding through the School Facilities Program. To complement this front-end accountability, legislation requiring facility bond expenditures to be included in the annual K-12 Audit Guide was approved.

The 2018-19 Proposed State Budget proposes approximately \$640 million in bond authority for 2018-19 to fund new construction, modernization, career technical education, and charter facility projects based upon the Office of Public School Construction's processing of project applications and the State Allocation Board's approval of these projects.

Finally, the 2018-19 Proposed State Budget describes the Administration's and Legislature's efforts in recent years to recruit and retain qualified individuals into the teaching profession. Nonetheless, the number of special education teachers providing instruction with a substandard credential continues to rise. In response to this shortage and because two-thirds of school districts have been identified as having poor special education performance, the 2018-19 Proposed State Budget proposes an additional \$100 million investment to increase and retain special education teachers.

### **Future State Budgets**

The District receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the District and other school districts in the State.

The District cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the District cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the District has no control.

### **Supplemental Information Concerning Litigation Against the State of California**

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

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the

provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller’s Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal’s decision was addressed by the State Supreme Court.

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

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

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

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

Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property



for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

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

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

### **Legislation Implementing Article XIII A**

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

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

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

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

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

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

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 to mean the percentage change in California per capita income from the preceding year, and

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

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article 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 certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article 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 will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

### **Unitary Property**

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

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

### **California Lottery**

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

Allocation of Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. The District estimates that it will receive no more than 2% of the District’s general fund revenues in Lottery aid in fiscal year 2017-18. At this time, the amount of additional revenues that may be generated by the Lottery in any given year cannot be predicted.

### **Proposition 46**

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

### **Proposition 39**

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California

Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

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

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

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

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

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

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

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

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the February 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

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

## Propositions 98 and 111

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the Governor’s Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State’s budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State’s ability to fund such other programs by raising taxes.

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“Proposition 111”) which further modified Article 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 California per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article 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 the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’ base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.

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

d. Recalculation of Appropriations Limit. The Article 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 (the “first test”) 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 (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

## **Proposition 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 (which expired on January 1, 2017) and personal income tax rates on higher incomes. For personal income taxes imposed beginning in

the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for head-of-household filers and over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for head-of-household filers and over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for head-of-household filers and over \$1,000,000 for joint filers).

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

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, a constitutional amendment initiative, was approved by California voters at the November 8, 2016 general election in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 will be allocated 89% to K-12 schools and 11% to community colleges. The sales and use tax rate increase under Proposition 30 will not be extended.

## **Proposition 2**

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act (“Proposition 2”) was approved by California voters on November 8, 2016. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State’s Budget Stabilization Account (the “Stabilization Account”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the “Annual Stabilization Account Transfer”). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a “Supplemental Stabilization Account Transfer”) are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.



In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal Year 2015-16 through Fiscal Year 2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a “budget emergency” (defined as an emergency within the meaning of Article XIII B of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, 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, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account 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 Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the “Public School System Stabilization Account”) into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that 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. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (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 Public School System Stabilization Account 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 Public School System Stabilization Account 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 Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living.

Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, 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 2 also mandates draws on the Public School System Stabilization Account.

## **Proposition 26**

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

## **California Senate Bill 222**

Senate Bill 222 (“SB 222”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by ad valorem tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 2, 22, 26, 30, 39, 46, 55 and 98 were each adopted as measure that qualified for the State 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.

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR  
THE FISCAL YEAR ENDED JUNE 30, 2017**

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**CAMPBELL UNION  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

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# CAMPBELL UNION SCHOOL DISTRICT

## TABLE OF CONTENTS

### JUNE 30, 2017

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#### FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	
Proprietary Funds - Statement of Net Position	25
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	26
Proprietary Funds - Statement of Cash Flows	27
Fiduciary Funds - Statement of Net Position	28
Notes to Financial Statements	29

#### REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	65
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	66
Schedule of the District's Proportionate Share of the Net Pension Liability	67
Schedule of District Pension Contributions	68
Note to Required Supplementary Information	69

#### SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	71
Local Education Agency Organization Structure	72
Schedule of Average Daily Attendance	73
Schedule of Average Daily Attendance- Charter Schools	74
Schedule of Instructional Time	76
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	79
Schedule of Financial Trends and Analysis	80
Schedule of Charter Schools	81
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	83
Note to Supplementary Information	84

#### INDEPENDENT AUDITOR'S REPORTS

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	87
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	89
Report on State Compliance	91

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	95
Financial Statement Findings	96
Federal Awards Findings and Questioned Costs	97
State Awards Findings and Questioned Costs	98
Summary Schedule of Prior Audit Findings	99

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## ***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Campbell Union School District  
Campbell, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell Union School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell Union School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Campbell Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information as listed on 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 November 14, 2017, on our consideration of the Campbell Union 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 Campbell Union 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 Campbell Union School District's internal control over financial reporting and compliance.



Palo Alto, California

November 14, 2017

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# **CAMPBELL UNION SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017**

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This section of Campbell Union School District's 2016-2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **DISTRICT PROFILE**

The Campbell Union School District (the "District") was established as an elementary school district on September 7, 1921, and is located in the suburbs of Santa Clara County's Silicon Valley. The District encompasses a 14 square mile area and serves portions of Campbell, San Jose, Los Gatos, Monte Sereno, Saratoga, Santa Clara and an unincorporated area of Santa Clara County. The District maintains one middle school, eleven charter schools, a District Office, a Corporation Yard and three closed school sites.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### **The Financial Statements**

The financial statements presented herein include all of the activities of the Campbell Union School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capitalized assets) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

# CAMPBELL UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

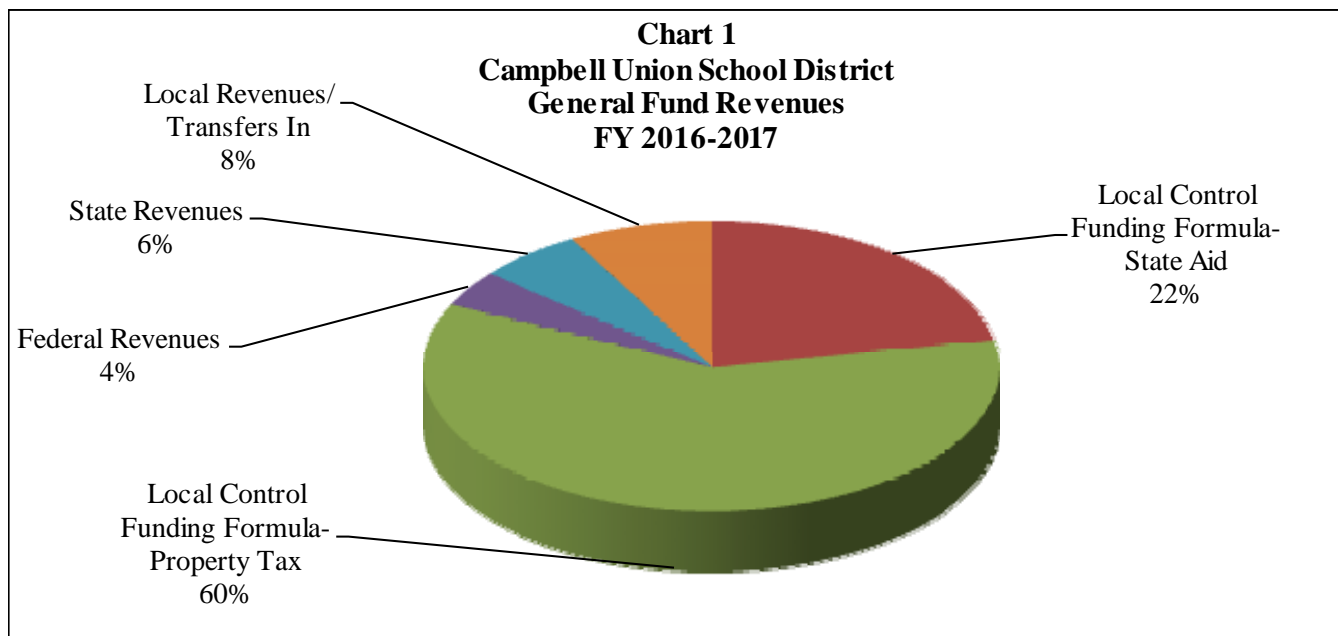
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### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

#### Local Control Funding Formula District

Since fiscal year 1973-74, State school districts operated under general purpose revenue limits established by the State Legislature. In general, the revenue limits were calculated for each school district by multiplying the average daily attendance (“ADA”) for our district by a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type. In 2013-14 the State implemented a new school funding model called the “Local Control Funding Formula” (LCFF) and the amount financed by the State in 2016-2017 was \$18,955,654. Funding of the District’s LCFF is accomplished by a mix of local property taxes and State apportionments. Generally, the State apportionments amount to the difference between the District’s LCFF calculation and the local property tax revenues. A district becomes “Basic Aid” when the local property tax amount exceeds the district State apportionment amount.

In 2016-2017, the District received \$70.9 million from local control funding formula sources, accounting for approximately 82% of General Fund revenues. Of this, property taxes accounted for 60% of General Fund revenues. (See Chart 1)



Note: Chart 1 excludes State on-behalf payment of \$3,228,770 and Special Reserve for Other Than Capital fund.



# CAMPBELL UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position for governmental activities was \$29.2 million deficit for the fiscal year ended June 30, 2017. (See Table 1) Restricted net position of \$31.9 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations.

<b>Table 1</b>		
<b>Campbell Union School District</b>		
<b>Net Position</b>		
<b>(Amounts in millions)</b>		
	<b>Governmental Activities</b>	
<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current and other assets	101.4	\$ 75.7
Capital assets	176.1	168.7
Total Assets	<b>277.5</b>	<b>244.4</b>
<b>Deferred Outflows of Resources</b>	<b>18.5</b>	<b>8.3</b>
<b>Liabilities</b>		
Current liabilities	15.5	15.3
Long-term debt	305.3	259.5
Total Liabilities	<b>320.8</b>	<b>274.8</b>
<b>Deferred Inflows of Resources</b>	<b>4.4</b>	<b>7.3</b>
<b>Net Position</b>		
Net investment in capital assets	(5.2)	(5.4)
Restricted	31.9	29.1
Unrestricted	(55.8)	(53.1)
Total Net Position	<b>\$ (29.2)</b>	<b>\$ (29.4)</b>

# CAMPBELL UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

---

### Changes in Net Position

The results of this year's governmental activities operations for the District are reported in the Statement of Activities. Table 2 takes the information from the statement, rounds the numbers, and rearranges them slightly to present the total revenues for the year.

<b>Table 2</b>		
<b>Campbell Union School District</b>		
<b>Changes in Net Position</b>		
<b>(Amounts in millions)</b>		
	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 0.7	\$ 0.8
Operating grants and contributions	19.1	18.1
General revenues:		
Federal and state aid not restricted to specific purposes	21.6	24.2
Property taxes	65.7	61.0
Other general revenues	4.8	6.8
<b>Total Revenues</b>	<b>112.0</b>	<b>110.9</b>
<b>Expenses</b>		
Instruction-related	79.1	72.4
Student support services	8.7	8.0
Administration	5.5	4.3
Maintenance and operations	8.9	8.1
Other	9.5	9.6
<b>Total Expenses</b>	<b>111.7</b>	<b>102.4</b>
<b>Change in Net Position</b>	<b>\$ 0.3</b>	<b>\$ 8.5</b>

# CAMPBELL UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### Governmental Activities

As reported in the statement of activities, the cost of all of the governmental activities in 2016-2017 was \$111.7 million, which includes \$6.5 million in depreciation expense, \$3.2 million in On-Behalf payments from the State and \$2.2 million in additional accrued interest on bonds. However, the amount that the taxpayers ultimately financed for these activities through local taxes was only \$65.7 million because part of the cost was paid by those who benefited from the programs, \$0.7 million, or by other government agencies and organizations who subsidized certain programs with grants and contributions of \$19.1 million. We paid for the remaining “public benefit” portion of the governmental activities with \$21.6 million in federal funds and state funds, and with \$4.8 million in other revenues such as interest and general entitlements.

In Table 3, we have presented the cost of each of the District’s seven largest functions: Instruction, Instructional-Related Activities, which includes guidance and counseling, School Administration, Pupil Services, which includes student transportation and child nutrition, District Administration, Maintenance and Operations and Other, which includes debt service. The net cost (total cost less revenues generated by the activities) of each function is also provided.

<b>Table 3</b>				
<b>Campbell Union School District</b>				
<b>Net Cost of Governmental Activities</b>				
<b>(Amounts in millions)</b>				
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Instruction	\$ 62.5	\$ 57.1	\$ 53.8	\$ 48.8
Instruction-related activities	8.6	7.8	7.5	6.8
School administration	8.0	7.5	6.9	6.5
Pupil services	8.7	8.0	5.6	4.7
Administration	5.5	4.3	5.1	3.8
Maintenance and operations	8.9	8.1	8.7	7.5
Other	9.5	9.6	4.2	5.4
<b>Totals</b>	<b>\$ 111.7</b>	<b>\$ 102.4</b>	<b>\$ 91.8</b>	<b>\$ 83.5</b>

# CAMPBELL UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$92.3 million. (See Table 4) The District is required to maintain available reserves of 3% of total general fund expenditures for economic uncertainties. This 3% reserve amounts to \$2.77 million.

<b>Table 4</b>		
<b>Campbell Union School District</b>		
<b>Governmental Fund Balances</b>		
<b>(Amounts in millions)</b>		
	<b>Total Governmental Funds</b>	
	<b>2017</b>	<b>2016</b>
General fund	\$ 16.0	\$ 19.1
Building fund	45.5	21.1
Bond interest and redemption fund	15.9	13.4
Debt service fund <sup>1</sup>	-	9.3
Non-Major governmental funds	14.9	3.5
<b>Totals</b>	<b>\$ 92.3</b>	<b>\$ 66.4</b>

<sup>1</sup> Debt service fund was not a major governmental fund in Fiscal Year 2016-2017.

Charts 2 and 3 provide a breakdown of the general fund expenditures, both by object code and by function. As is common with virtually all school districts, the majority of expenditures in the general fund is for salaries and benefits (approximately 80%). From a functional cost standpoint, Chart 3 will show that approximately 78% of total general fund expenditures go for instruction and instruction-related activities. The District must spend at least 60% of its total certificated salary component on classroom instruction activities. For the current fiscal year, the District spent approximately 61% of its certificated salary on classroom instruction activity.

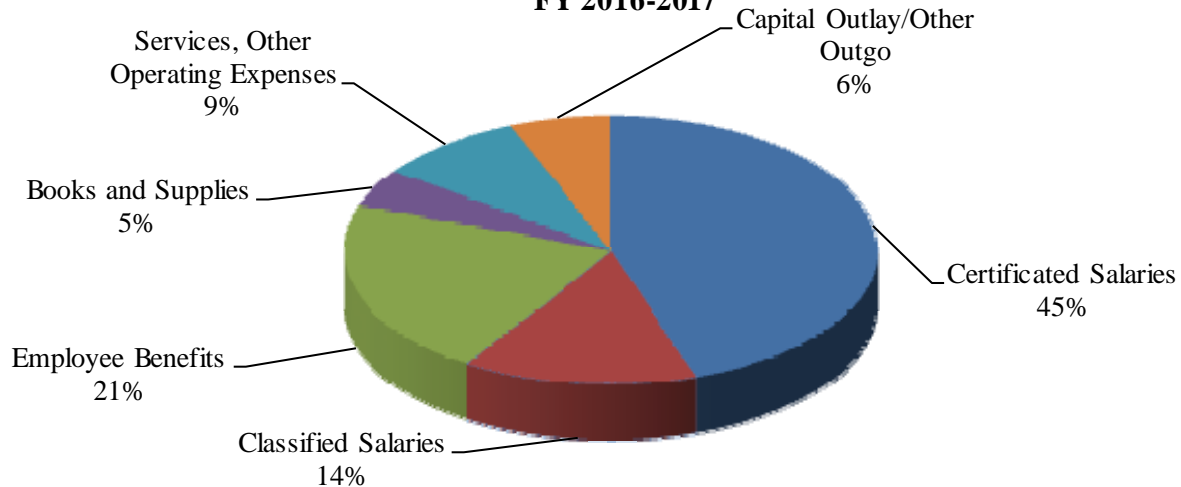
# CAMPBELL UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

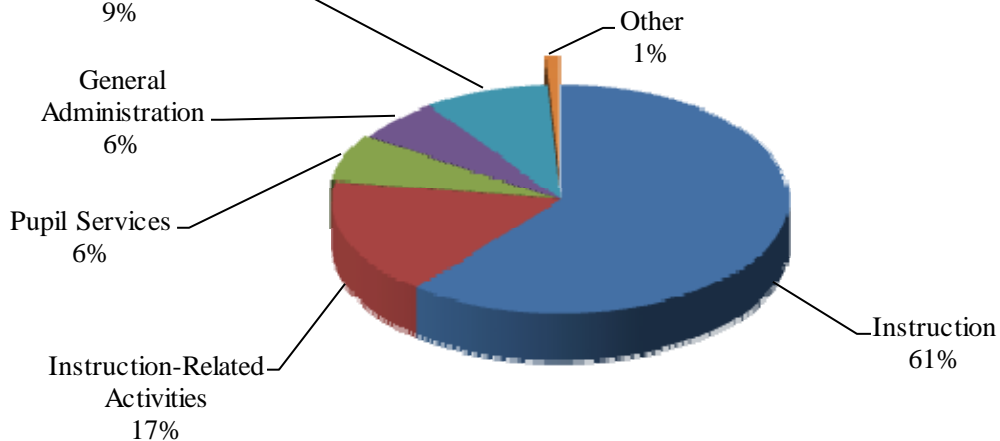
JUNE 30, 2017

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**Chart 2**  
**Campbell Union School District**  
**General Fund Expenditures by Object**  
**FY 2016-2017**



**Chart 3**  
**Campbell Union School District**  
**General Fund Expenditures by Function**  
**FY 2016-2017**



### **General Fund Budgetary Highlights**

The original adopted budget projected general fund revenues exceeding expenditures by approximately \$2.4 million. Our actual results showed a surplus of \$1.3 million, resulting in a variance from the actuals of \$1.1 million. The variance between the adopted budget and the actuals reflect a combination of increased salary and benefit spending by the District.

# CAMPBELL UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had a total of \$176.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment (net of accumulated depreciation of \$104.3 million). This total amount represents a net increase (including additions, deductions and depreciation) of \$7.4 million, or 4.4 percent, from last year. See Table 5 below:

<b>Table 5</b>			
<b>Campbell Union School District</b>			
<b>Capital Assets at Year-end</b>			
<b>(Net of depreciation)</b>			
<b>(Amounts in millions)</b>			
		<b>Governmental Activities</b>	
		<b>2017</b>	<b>2016</b>
Land	\$	1.1	\$ 1.1
Construction in progress		9.2	19.9
Buildings and improvements		164.7	146.5
Equipment		1.2	1.2
<b>Totals</b>	<b>\$</b>	<b>176.1</b>	<b>\$ 168.7</b>

More detailed information about capital assets is presented in Note 4 to the financial statements.

#### Long-Term Debt

At the end of the 2016-2017 year, the District had \$218.5 million in bonds outstanding, including \$8.9 million unamortized bond premiums. This amount represents an increase of \$26.3 million from the prior year.

The District's general obligation bond rating is currently "AA." The State limits the amount of general obligation debt that Districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District passed a general obligation bond issue in 2010 (the Measure G Bonds), which authorized the District to sell up to \$150 million in new bonds. In 2011 the District passed a Taxable General Obligation Bonds (Series B), General Obligation Bonds (Capital Appreciation, Series C), Taxable General Obligation Bond Anticipation Notes, and General Obligation Refunding Bonds. As of June 30, 2017, \$89.0 million of total authorized Measure G Bonds have been sold. The District's outstanding general obligation debt of \$102.3 million is below the \$206.4 million statutorily-imposed limit.

The Measure G and Measure CC Bonds will fund needed improvements to the District's school sites. These improvements include the repair, renovation, modernization and construction at elementary and middle schools; upgrade aged electrical systems, bathrooms and plumbing; improve parking and traffic around elementary and middle schools; enhance libraries and technology capabilities; the replacement of rented portable classrooms with ADA/Title 24 compliant modular buildings; and improve accessibility for the disabled within the District.

Other obligations include accumulated vacation and postemployment benefits (including health benefits). We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

**CAMPBELL UNION SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

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**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

In considering the District budget for the 2017-2018 year, the District board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Property taxes are expected to increase by 4%.
2. Projected 59 ADA decrease from 2016-17 P-2, for a total ADA of 7,114.
3. Federal income has been kept flat from 2016-17.
4. State revenue will be kept flat from 2016-17.

Expenditures are based on the following forecasts:

	Staffing Ratio	ADA
Grades kindergarten through third	24:1	3,464
Grades fourth through eighth	30:1	3,847

The new items specifically addressed in the budget are:

- The District is reviewing programs to optimize the use of LCFF funding.
- The Local Control Accountability Plan has been developed for each school.
- Continuing implementation of the Common Core program.
- The District is managing employee earned vacation time so that there is no adverse impact on the District.

**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 James Crawford - Deputy Superintendent, Administrative Services, at Campbell Union School District, 155 North Third Street, Campbell, California, 95008.

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# CAMPBELL UNION SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Deposits and investments	\$ 92,629,532	\$ 536,462	\$ 93,165,994
Receivables	3,547,242	7,527	3,554,769
Prepaid expenses	2,021,605	-	2,021,605
Stores inventories	141,218	-	141,218
Net OPEB asset	3,091,065	-	3,091,065
Capital assets not depreciated	10,267,480	-	10,267,480
Capital assets, net of accumulated depreciation	165,822,939	-	165,822,939
<b>Total Assets</b>	<b>277,521,081</b>	<b>543,989</b>	<b>278,065,070</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	1,196,857	-	1,196,857
Deferred outflows of resources related to pensions	17,335,473	-	17,335,473
<b>Total Deferred Outflows of Resources</b>	<b>18,532,330</b>	<b>-</b>	<b>18,532,330</b>
<b>LIABILITIES</b>			
Accounts payable	2,644,892	57	2,644,949
Interest payable	2,213,538	-	2,213,538
Unearned revenue	1,709,672	-	1,709,672
Claims liability	1,686,000	-	1,686,000
Long-term obligations other than pensions			
Current portion	7,219,585	-	7,219,585
Noncurrent portion	221,076,086	-	221,076,086
Aggregate net pension liability	84,256,129	-	84,256,129
<b>Total Liabilities</b>	<b>320,805,902</b>	<b>57</b>	<b>320,805,959</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	4,415,097	-	4,415,097
<b>Total Deferred Inflows of Resources</b>	<b>4,415,097</b>	<b>-</b>	<b>4,415,097</b>
<b>NET POSITION</b>			
Net investment in capital assets	(5,236,124)	-	(5,236,124)
Restricted for:			
Educational programs	5,196,196	-	5,196,196
Debt service	22,775,706	-	22,775,706
Capital projects	2,833,802	-	2,833,802
Food programs	1,063,925	-	1,063,925
Insurance program	1,475	-	1,475
Unrestricted	(55,802,568)	543,932	(55,258,636)
<b>Total Net Position</b>	<b>\$ (29,167,588)</b>	<b>\$ 543,932</b>	<b>\$ (28,623,656)</b>

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

# CAMPBELL UNION SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 62,457,017	\$ 88,578	\$ 8,519,840
Instruction-related activities:			
Supervision of instruction	6,243,473	8,943	1,055,855
Library, media, and technology	2,320,443	-	17,151
School site administration	8,008,365	7,622	1,071,504
Pupil services:			
Home-to-school transportation	1,216,943	-	-
Food services	2,684,548	596,527	1,889,625
All other pupil services	4,771,107	-	617,553
Administration:			
All other administration	5,479,024	29,566	378,660
Plant services	8,879,378	7,950	220,293
Ancillary services	83,295	-	37,018
Community services	195,536	-	-
Enterprise services	90,810	-	-
Interest on long-term obligations	8,750,950	-	-
Other outgo	533,581	-	5,326,905
Total Governmental Activities	<u>\$ 111,714,470</u>	<u>\$ 739,186</u>	<u>\$ 19,134,404</u>
<b>Business-Type Activities</b>			
Enterprise services	\$ 308,271	\$ -	\$ -
Total Business-Type Activities	<u>\$ 308,271</u>	<u>\$ -</u>	<u>\$ -</u>

### General revenues and subventions:

Property taxes, levied for general purposes  
 Property taxes, levied for debt service  
 Taxes levied for other specific purposes  
 Federal and state aid not restricted to specific purposes  
 Interest and investment earnings  
 Interagency revenues  
 Miscellaneous  
 Subtotal, General Revenues

### Change in Net Position

Net Position - Beginning  
 Net Position - Ending

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

<b>Net (Expenses) Revenues and Changes in Net Position</b>		
<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (53,848,599)	\$ -	\$ (53,848,599)
(5,178,675)	-	(5,178,675)
(2,303,292)	-	(2,303,292)
(6,929,239)	-	(6,929,239)
(1,216,943)	-	(1,216,943)
(198,396)	-	(198,396)
(4,153,554)	-	(4,153,554)
(5,070,798)	-	(5,070,798)
(8,651,135)	-	(8,651,135)
(46,277)	-	(46,277)
(195,536)	-	(195,536)
(90,810)	-	(90,810)
(8,750,950)	-	(8,750,950)
4,793,324	-	4,793,324
(91,840,880)	-	(91,840,880)
-	(308,271)	(308,271)
-	(308,271)	(308,271)
52,147,860	-	52,147,860
11,721,346	-	11,721,346
1,161,657	-	1,161,657
21,612,991	-	21,612,991
622,803	5,566	628,369
185,749	-	185,749
4,593,296	224,473	4,817,769
92,045,702	230,039	92,275,741
204,822	(78,232)	126,590
(29,372,410)	622,164	(28,750,246)
\$ (29,167,588)	\$ 543,932	\$ (28,623,656)

# CAMPBELL UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>ASSETS</b>			
Deposits and investments	\$ 15,714,010	\$ 45,544,844	\$ 15,850,085
Receivables	2,850,538	139,996	31,931
Due from other funds	27,625	-	-
Prepaid expenditures	1,989,978	28,670	-
Stores inventories	-	-	-
<b>Total Assets</b>	<b>\$ 20,582,151</b>	<b>\$ 45,713,510</b>	<b>\$ 15,882,016</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,159,167	\$ 226,681	\$ -
Due to other funds	837,904	-	-
Unearned revenue	1,578,567	-	-
<b>Total Liabilities</b>	<b>4,575,638</b>	<b>226,681</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	1,999,978	28,670	-
Restricted	3,278,951	45,458,159	15,882,016
Assigned	3,264,505	-	-
Unassigned	7,463,079	-	-
<b>Total Fund Balances</b>	<b>16,006,513</b>	<b>45,486,829</b>	<b>15,882,016</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,582,151</b>	<b>\$ 45,713,510</b>	<b>\$ 15,882,016</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 14,190,647	\$ 91,299,586
521,099	3,543,564
426,257	453,882
2,957	2,021,605
141,218	141,218
<u>\$ 15,282,178</u>	<u>\$ 97,459,855</u>

\$ 196,379	\$ 2,582,227
32,494	870,398
131,105	1,709,672
<u>359,978</u>	<u>5,162,297</u>

\$ 144,675	\$ 2,173,323
14,777,525	79,396,651
-	3,264,505
-	7,463,079
<u>14,922,200</u>	<u>92,297,558</u>
<u>\$ 15,282,178</u>	<u>\$ 97,459,855</u>

# CAMPBELL UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 92,297,558</b>
--	----------------------

Amounts Reported for Governmental Activities in the Statement of  
Net Position are Different Because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported as assets in  
governmental funds.

The cost of capital assets is	280,476,050	
Accumulated depreciation is	<u>(104,385,631)</u>	
Net Capital Assets		176,090,419

Deferred outflows related to pension activities are not recorded in the governmental funds because they are not current resources.	17,335,473
---	------------

The excess OPEB contributions over the annual required contributions is recorded as an expenditure in the governmental funds but is capitalized and recorded as an OPEB asset in the statement of net position.	3,091,065
--	-----------

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is accrued.	(2,213,538)
--	-------------

An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,475
---	-------

Deferred charges on refunding related to the loss on refunding of debt which are classified as deferred outflows of resources and expensed over the life of the debt on the government-wide financial statements, but were recorded as expenditures in the governmental fund statements when the debt was issued.	1,196,857
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The accompanying notes are an integral part of these financial statements.

# CAMPBELL UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED) JUNE 30, 2017

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Deferred inflows from pension activities are not recorded on the governmental funds but are recognized on the government-wide statement of net position.

(4,415,097)

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	(209,611,547)
---------------	---------------

Unamortized bond premium	(8,922,976)
--------------------------	-------------

Clean energy loans	(6,385,706)
--------------------	-------------

Construction loans	(3,090,000)
--------------------	-------------

Compensated absences (vacations)	(285,442)
----------------------------------	-----------

Net pension liability	(84,256,129)
-----------------------	--------------

Total Long-Term Obligations	(312,551,800)
-----------------------------	---------------

<b>Total Net Position - Governmental Activities</b>	<b>\$ (29,167,588)</b>
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The accompanying notes are an integral part of these financial statements.

# CAMPBELL UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>REVENUES</b>			
Local control funding formula	\$ 70,934,524	\$ -	\$ -
Federal sources	3,015,349	-	1,106,622
Other state sources	7,403,503	-	49,938
Other local sources	6,594,800	727,606	11,761,098
<b>Total Revenues</b>	<b>87,948,176</b>	<b>727,606</b>	<b>12,917,658</b>
<b>EXPENDITURES</b>			
Current			
Instruction	53,749,415	-	-
Instruction-related activities:			
Supervision of instruction	5,057,759	-	-
Library, media and technology	2,136,896	-	-
School site administration	6,772,489	-	-
Pupil services:			
Home-to-school transportation	1,120,683	-	-
Food services	35,157	-	-
All other pupil services	4,393,712	-	-
Other Administration	5,144,032	-	-
Plant services	6,687,142	-	-
Ancillary services	76,706	-	-
Community Services	180,069	-	-
Other outgo	533,581	-	-
Facility acquisition and construction	753,306	14,396,496	-
Debt service			
Principal	-	12,110	5,614,708
Interest and other	-	260,000	5,365,737
<b>Total Expenditures</b>	<b>86,640,947</b>	<b>14,668,606</b>	<b>10,980,445</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,307,229</b>	<b>(13,941,000)</b>	<b>1,937,213</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	4,700,000	-
Other sources	-	33,588,636	577,215
Transfers out	(4,357,824)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(4,357,824)</b>	<b>38,288,636</b>	<b>577,215</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,050,595)</b>	<b>24,347,636</b>	<b>2,514,428</b>
<b>Fund Balance - Beginning</b>	<b>19,057,108</b>	<b>21,139,193</b>	<b>13,367,588</b>
<b>Fund Balance - Ending</b>	<b>\$ 16,006,513</b>	<b>\$ 45,486,829</b>	<b>\$ 15,882,016</b>

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



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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 70,934,524
2,127,885	6,249,856
2,014,021	9,467,462
6,867,576	25,951,080
<u>10,918,731</u>	<u>112,602,922</u>
3,878,758	57,628,173
691,855	5,749,614
-	2,136,896
602,414	7,374,903
-	1,120,683
2,437,043	2,472,200
-	4,393,712
327,591	5,471,623
225,512	6,912,654
-	76,706
-	180,069
-	533,581
125,986	15,275,788
175,000	5,801,818
88,619	5,714,356
<u>8,552,778</u>	<u>120,842,776</u>
<u>2,456,704</u>	<u>(8,239,854)</u>
57,824	4,757,824
-	34,165,851
<u>(400,000)</u>	<u>(4,757,824)</u>
<u>(342,176)</u>	<u>34,165,851</u>
2,114,528	25,925,997
12,807,672	66,371,561
<u>\$ 14,922,200</u>	<u>\$ 92,297,558</u>

## CAMPBELL UNION 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, 2017

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 25,925,997**

Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceed depreciation.

Capital outlays	13,902,821	
Depreciation expense	<u>(6,529,805)</u>	
Net Expense Adjustment		7,373,016

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). Vacation used was more than the amounts earned.

121,086

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(1,481,541)

Payment of principal on long-term liabilities is an expenditure in the governmental funds. It reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

5,813,928

Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.

74,500

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

## CAMPBELL UNION SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

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Accreted interest on capital appreciation bonds does not require the use of current financial resources, and thus is not recorded in the governmental funds. In the statement of activities, however, accreted interest expense is recognized in the government-wide statements as the interest accrues. (3,572,974)

Amortization of bond premium and discount is recorded in the statement of activities, but is not recognized in the governmental funds. 537,345

Amortization of bond defeasance costs are not recorded in the governmental funds, but they impact the statement of activities. (87,575)

In the statement of net position, the excess OPEB contribution is recognized as an OPEB asset and does not impact the governmental funds. 649,459

Proceeds received from the clean energy loan are recognized as revenues in the governmental funds but are recognized as liabilities in the government-wide statements. (6,397,816)

Proceeds received from the issuance of bonds and premium are recognized as revenues in the governmental funds but are recognized as liabilities in the government-wide statements.

Proceeds from sale of bonds	(28,000,000)	
Premiums	<u>(577,215)</u>	
Net Proceeds Adjustment		(28,577,215)

An internal service fund is used by the District's management to charge the costs of the workers' compensation to the individual funds. The net revenue of the internal service fund is reported with governmental activities. (173,388)

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>204,822</u></b>
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The accompanying notes are an integral part of these financial statements.

# CAMPBELL UNION SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

	<b>Enterprise Funds Response to Instruction and Intervention Fund</b>	<b>Internal Service Self-Insurance Fund</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Deposits and investments	\$ 536,462	\$ 1,329,946	\$ 1,866,408
Receivables	7,527	3,678	11,205
Due from other funds	-	416,516	416,516
<b>Total Current Assets</b>	<u>543,989</u>	<u>1,750,140</u>	<u>2,294,129</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	57	62,665	62,722
Claim liabilities	-	1,686,000	1,686,000
<b>Total Current Liabilities</b>	<u>57</u>	<u>1,748,665</u>	<u>1,748,722</u>
<b>NET POSITION</b>			
Restricted for insurance programs	-	1,475	1,475
Unrestricted	543,932	-	543,932
<b>Total Net Position</b>	<u>\$ 543,932</u>	<u>\$ 1,475</u>	<u>\$ 545,407</u>

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

# CAMPBELL UNION SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds Response to Instruction and Intervention Fund	Internal Service Self-Insurance Fund
<b>OPERATING REVENUES</b>		
In-district premiums/contributions	\$ -	\$ 562,078
Other operating revenues	224,473	-
<b>Total Operating Revenues</b>	<u>224,473</u>	<u>562,078</u>
<b>OPERATING EXPENSES</b>		
Payroll costs	286,561	-
Supplies and materials	497	175
Claims and insurance expense	-	741,180
Other operating cost	21,213	7,602
<b>Total Operating Expenditures</b>	<u>308,271</u>	<u>748,957</u>
<b>Operating Deficit</b>	<u>(83,798)</u>	<u>(186,879)</u>
<b>NONOPERATING REVENUES</b>		
Interest income	5,566	13,491
<b>Total Nonoperating Revenues (Expenses)</b>	<u>5,566</u>	<u>13,491</u>
<b>Change in Net Position</b>	<u>(78,232)</u>	<u>(173,388)</u>
<b>Total Net Position - Beginning</b>	<u>622,164</u>	<u>174,863</u>
<b>Total Net Position - Ending</b>	<u>\$ 543,932</u>	<u>\$ 1,475</u>

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

# CAMPBELL UNION SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds Response to Instruction and Intervention Fund	Internal Service Self-Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from other funds of the District	\$ -	\$ 562,078
Other operating cash receipts	218,184	-
Cash payments to other suppliers of goods or services	(21,700)	41,514
Cash payments to employees for services	(286,561)	-
Cash payment for insurance	-	(629,782)
Net Cash used for Operating Activities	(90,077)	(26,190)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	5,569	12,411
Net Cash Provided by Investing Activities	5,569	12,411
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers between funds	(15,400)	50,924
Net Cash Provided By (Used for) Noncapital Financing Activities	(15,400)	50,924
Net Increase (decrease) in Cash and Cash Equivalents	(99,908)	37,145
Cash and Cash Equivalents - Beginning	636,370	1,292,801
Cash and Cash Equivalents - Ending	\$ 536,462	\$ 1,329,946
<b>RECONCILIATION OF OPERATING DEFICIT TO NET CASH USED FOR OPERATING ACTIVITIES</b>		
Operating deficit	\$ (83,798)	\$ (186,879)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Receivables	(6,289)	-
Accrued liabilities	-	119,000
Accounts payable	10	41,689
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>\$ (90,077)</b>	<b>\$ (26,190)</b>

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

# CAMPBELL UNION SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

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	<b>Agency Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 35,830
<b>Total Assets</b>	<u><u>\$ 35,830</u></u>
<b>LIABILITIES</b>	
Due to student groups	\$ 35,830
<b>Total Liabilities</b>	<u><u>\$ 35,830</u></u>

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

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The Campbell Union School District was organized in 1921 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the state agencies. The District operates one middle school and eleven Charter Schools.

A reporting entity is comprised of the primary government, 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, boards, and agencies that are not legally separate from the District. For Campbell Union School District, this includes general operations, food service, and student related activities of the District.

#### **Other Related Entities**

**Charter Schools** The District has approved eleven charters pursuant to Education Code Section 47605. They are Sherman Oaks Elementary Charter School, Village Charter School, Lynhaven Charter School, Castlemont Elementary School, Capri Elementary School, Monroe Middle School, Rolling Hills Middle School, Blackford Elementary School, Forest Hill Elementary School, Marshall Lane Elementary School, and Rosemary Elementary School. These Charter Schools are operated by Campbell Union School District. The financial activities of the charter schools are included in the General Fund of the District.

#### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

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

#### **Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, the fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.



# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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As a result, the General Fund reflects an increase in assets, fund balance, and revenue of \$50,670, \$50,670, and \$498, respectively.

**Building Fund** The Building 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.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Child Development Fund** The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

**Debt Service Fund** The Debt Service Fund is used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

**Capital Projects Funds** The Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**Proprietary Funds** Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost reimbursement basis. The District maintains an internal service fund to account for charges to other funds related to the District's insurance programs.

**Response to Instruction and Intervention Fund** The Fund exist to account for the services provided by the District to other school districts for their assistance in developing and establishing school instructional programs that integrate resources from general education, categorical programs and special education into a comprehensive system of core instruction and interventions.

**Fiduciary Funds** Fiduciary Funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and scholarship purposes (the Porter Fund).

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function of the District and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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 the 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset 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 result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund Financial Statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**Governmental Funds** All Governmental Funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Proprietary Funds** Proprietary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange Transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a 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.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury, and state fund balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2017, 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.

### **Prepaid Expenditures**

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the benefiting period.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. 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, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds. In the government-wide statement of net position and activities, such amounts are capitalized and their cost is amortized to operations over their useful lives by annual depreciation expense charge. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

# **CAMPBELL UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion is included in the long-term obligation in the government-wide statement.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund 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 governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount and premium of the debt is reported as other financing sources.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds, current year pension contributions, difference between expected and actual experience in the measurement of the total pension liability, and change of District's proportionate share of net pension liabilities.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability, difference between expected and actual experience in the measurement of the total pension liability, change of assumptions and change of District's proportionate share of net pension liabilities.

### Pensions

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

### Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

# **CAMPBELL UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investments 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Operating Revenues and Expense**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are all other fees and contracts. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

Transfers between governmental and business-type activities, if applicable, in the government-wide financial statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in proprietary 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 columns of the statement of activities.

### **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.

### **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<sup>st</sup> of each year. The District governing board satisfied these requirements.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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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. For budget purposes, on-behalf payments of \$3,228,770 have not been included as revenue and expenditures as required under generally accepted accounting principles on advice of the State.

### 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 of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### New Accounting Pronouncements Effective This Fiscal Year

**GASB Statement No. 77** – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the fiscal year 2016-17. Please refer to Note 17 for more details.

**GASB Statement No. 82** - In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

### New Accounting Pronouncements Effective in Future Fiscal Year

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the fiscal year 2017-18. The District has not determined the effect of the statement.



# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**GASB Statement No. 81** - In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This pronouncement did not have an impact on the financial statements of the District.

**GASB Statement No. 83** – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The District has not determined the effect of the statement.

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The District has not determined the effect of the statement.

**GASB Statement No. 85** – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement 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). The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of the statement.

**GASB Statement No. 86** – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of the statement.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-21 fiscal year. The District has not determined the effect of the statement.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 91,299,586
Proprietary funds	1,866,408
Fiduciary funds	35,830
Total Deposits and Investments	<u>\$ 93,201,824</u>

Cash on hand and in banks	\$ 349,122
Cash in revolving	10,500
Investments	92,842,202
Total Deposits and Investments	<u>\$ 93,201,824</u>

#### Policies and Practices

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized costs which approximate 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.

**Investment in the State Investment Pool** - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the amortized costs which approximate fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in county and state investment pools.

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

Investment Type	Carrying Value	Fair Value	Matures in 12 Months or Less
Santa Clara County Pool	\$ 92,819,130	\$ 92,604,141	\$ 92,604,141
State Investment Pool	23,072	23,284	23,284
Total	<u>\$ 92,842,202</u>	<u>\$ 92,627,425</u>	<u>\$ 92,627,425</u>

# **CAMPBELL UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017**

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### **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. As of June 30, 2017, all of the District's investments are not rated.

### **Custodial Credit Risk - Deposits**

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

### **NOTE 3 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, 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 in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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 reasonably 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.

Uncategorized - Investments in the Santa Clara County Treasury Investment Pool and State Investment Pools 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.

As of June 30, 2017, the Districts investments in the Santa Clara County Treasury Investment Pool and State Investment Pools are uncategorized.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	\$ 1,668,394	\$ -	\$ -	\$ 453,713	\$ 2,122,107	\$ -
State Government						
Categorical aid	292,983	-	-	30,223	323,206	-
Lottery	544,588	-	-	-	544,588	-
Local Government						
Interest	61,422	139,996	31,931	37,163	270,512	5,205
Other Local Sources	283,151	-	-	-	283,151	6,000
Total	<u>\$ 2,850,538</u>	<u>\$ 139,996</u>	<u>\$ 31,931</u>	<u>\$ 521,099</u>	<u>\$ 3,543,564</u>	<u>\$ 11,205</u>

### NOTE 5 - PREPAID EXPENSES

Prepaid expense at June 30, 2017, was as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor	\$ 1,419,129	\$ -	\$ -	\$ 1,419,129
CalPERS	570,849	28,670	2,957	602,476
	<u>\$ 1,989,978</u>	<u>\$ 28,670</u>	<u>\$ 2,957</u>	<u>\$ 2,021,605</u>

The District had paid for instructional material \$1,419,129 during 2016-17 to benchmark education. The amount will be recognized over the next 6 years.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,098,117	\$ -	\$ -	\$ 1,098,117
Construction in Progress	19,880,142	13,516,995	24,227,774	9,169,363
Total Capital Assets Not Being Depreciated	20,978,259	13,516,995	24,227,774	10,267,480
Capital Assets Being Depreciated:				
Buildings and Improvements	241,953,733	24,227,774	-	266,181,507
Furniture and Equipment	3,909,837	385,826	268,600	4,027,063
Total Capital Assets Being Depreciated	245,863,570	24,613,600	268,600	270,208,570
Total Capital Assets	266,841,829	38,130,595	24,496,374	280,476,050
Less Accumulated Depreciation:				
Buildings and Improvements	95,395,768	6,131,721	-	101,527,489
Furniture and Equipment	2,728,658	398,084	268,600	2,858,142
Total Accumulated Depreciation	98,124,426	6,529,805	268,600	104,385,631
Governmental Activities Capital Assets, Net	<u>\$ 168,717,403</u>	<u>\$ 31,600,790</u>	<u>\$ 24,227,774</u>	<u>\$ 176,090,419</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 3,978,883
Supervision of instruction	396,977
Instructional library, media, and technology	147,540
School site administration	509,193
Home-to-school transportation	77,376
Food services	170,691
All other pupil services	303,360
Ancillary services	5,296
Community services	12,433
All other general administration	377,783
Plant services	477,278
Enterprise	72,995
Total Depreciation Expense Governmental Activities	<u>\$ 6,529,805</u>

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 7 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ 421,388	\$ 416,516	\$ 837,904
Non-Major Governmental Funds	27,625	4,869	-	32,494
Total	<u>\$ 27,625</u>	<u>\$ 426,257</u>	<u>\$ 416,516</u>	<u>\$ 870,398</u>

All balances resulted from the time lag between that date (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

#### Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of following:

Transfer Out	Transfer In		Total
	Building Fund	Non-Major Governmental Funds	
General Fund	\$ 4,300,000	\$ 57,824	\$ 4,357,824
Non-Major Governmental Funds	400,000	-	400,000
Total	<u>\$ 4,700,000</u>	<u>\$ 57,824</u>	<u>\$ 4,757,824</u>

The General Fund transferred to the Building Fund for ongoing construction projects.	\$ 4,300,000
The Child Development Fund transferred to the Building Fund to support Marshall Lane Campbellcare.	400,000
The General Fund transferred to the Child Development Fund to cover the deficit spending in the preschool program.	57,824
Total	<u>\$ 4,757,824</u>

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 8 - DEFERRED CHARGE ON REFUNDING

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of negative \$5,236,124 includes the effect of deferring the recognition of loss from advance refunding. The \$1,196,857 balance of the deferred charge on refunding at June 30, 2017 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2017 consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Loss on refunding	\$ 1,284,432	\$ -	\$ 87,575	\$ 1,196,857

### NOTE 9 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 840,070	\$ 226,681	\$ 87,341	\$ 1,154,092	\$ 62,722
State principal apportionment	146,944	-	-	146,944	-
Salaries and benefits	1,172,153	-	109,038	1,281,191	-
Total	\$ 2,159,167	\$ 226,681	\$ 196,379	\$ 2,582,227	\$ 62,722

### NOTE 10 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 773,807	\$ -	\$ 773,807
State categorical aid	64,660	-	64,660
Local grants	740,100	131,105	871,205
Total	\$ 1,578,567	\$ 131,105	\$ 1,709,672



# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 11 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 183,378,573	\$ 31,572,974	\$ 5,340,000	\$ 209,611,547	\$ 6,065,000
Unamortized bond premium	8,883,106	577,215	537,345	8,922,976	556,586
Clean energy loan	-	6,397,816	12,110	6,385,706	402,999
Construction loan	3,265,000	-	175,000	3,090,000	195,000
Capital lease	1,017,415	-	1,017,415	-	-
Accumulated vacation - net	406,528	-	121,086	285,442	-
Net pension liability	69,622,742	14,633,387	-	84,256,129	-
	<u>\$ 266,573,364</u>	<u>\$ 53,181,392</u>	<u>\$ 7,202,956</u>	<u>\$ 312,551,800</u>	<u>\$ 7,219,585</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. Payments on the clean energy loan will be made from the building fund. Payments on the construction loan will be made from the debt service fund. Payment on the capital lease will be made from the Building fund. The accrued vacation and pension contribution will be paid by the fund for which the employee worked.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### Bonded Debt

The outstanding general obligation bonded debt was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued/ Accreted	Defeased/ Redeemed	Bonds Outstanding June 30, 2017
9/96	8/1/21	6.05%-6.20%	\$ 5,457,058	\$ 13,934,704	\$ 799,316	\$ 1,240,000	\$ 13,494,020
3/98	8/1/22	5.20%	2,246,345	7,105,443	460,186	-	7,565,629
5/08	8/1/26	3.00%-4.00%	9,680,000	4,945,000	-	2,020,000	2,925,000
8/10	8/1/35	5.50%-4.00%	24,999,924	34,668,728	1,984,460	-	36,653,188
8/11	8/1/27	5.40%	22,500,000	22,500,000	-	-	22,500,000
8/11	8/1/40	6.87%-6.92%	2,499,400	3,789,698	329,012	-	4,118,710
7/11	8/1/31	4.50%-5.00%	24,550,000	21,110,000	-	1,805,000	19,305,000
3/14	8/1/30	2.25%-3.00%	4,970,000	4,695,000	-	225,000	4,470,000
3/14	8/1/43	4.00%-5.00%	16,000,000	16,000,000	-	-	16,000,000
4/15	8/1/36	2.00%-5.00%	39,980,000	39,630,000	-	50,000	39,580,000
4/15	8/1/43	3.375%-3.50%	15,000,000	15,000,000	-	-	15,000,000
2/17	8/1/47	3.00%-5.00%	8,000,000	-	8,000,000	-	8,000,000
2/17	8/1/47	3.00%-5.00%	20,000,000	-	20,000,000	-	20,000,000
Sub Total				183,378,573	31,572,974	5,340,000	209,611,547
Premium on issuance of bonds				8,883,106	577,215	537,345	8,922,976
Total				<u>\$ 192,261,679</u>	<u>\$ 38,548,005</u>	<u>\$ 5,889,455</u>	<u>\$ 224,920,229</u>

The bonds mature through 2048 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2018	\$ 5,204,158	\$ 6,899,556	\$ 12,103,714
2019	5,319,685	10,318,604	15,638,289
2020	4,065,004	10,182,437	14,247,441
2021	3,085,338	10,515,203	13,600,541
2022	6,265,571	13,375,075	19,640,646
2023-2027	34,665,000	37,799,678	72,464,678
2028-2032	42,417,023	27,103,930	69,520,953
2033-2037	34,203,444	21,771,423	55,974,867
2038-2042	22,048,857	20,080,022	42,128,879
2043-2047	22,075,000	1,818,344	23,893,344
2048	1,950,000	39,000	1,989,000
Total	<u>181,299,080</u>	<u>\$ 159,903,272</u>	<u>\$ 341,202,352</u>
Accretion to Date	<u>28,312,467</u>		
	<u>\$ 209,611,547</u>		

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Clean Energy Loan

During 2015-16, the District obtained \$6,397,816 interest free clean energy loan from California Energy Resources Conservation and Development commission for the District's solar projects. The District received \$809,180 in 2015-16, and \$5,588,636 in 2016-17. The clean energy loan matures through 2035 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2018	\$ 402,999
2019	402,999
2020	402,999
2021	402,999
2022	402,999
2023-2027	2,014,994
2029-2033	1,788,284
2034-2035	567,434
Total	<u><u>\$ 6,385,706</u></u>

### Construction Loan

During 2012-13, the District obtained a lease agreement with Green Campus Partners, LLC in the amount of \$3,500,000. The loan has fixed interest rate of 1.375%. The construction loan matures through 2027 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 195,000	\$ 83,669	\$ 278,669
2019	215,000	78,169	293,169
2020	240,000	72,050	312,050
2021	260,000	65,313	325,313
2022	290,000	57,956	347,956
2023-2027	1,890,000	151,869	2,041,869
Total	<u><u>\$ 3,090,000</u></u>	<u><u>\$ 509,026</u></u>	<u><u>\$ 3,599,026</u></u>

### Capital Leases

During 2016, the District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. As of June 30, 2017, all amounts owed were paid off.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 500	\$ 10,500
Stores inventories	-	-	-	141,218	141,218
Prepaid expenditures	1,989,978	28,670	-	2,957	2,021,605
Total Nonspendable	1,999,978	28,670	-	144,675	2,173,323
Restricted					
Educational program	3,278,951	-	-	1,913,788	5,192,739
Food program	-	-	-	922,707	922,707
Capital projects	-	45,458,159	-	2,833,802	48,291,961
Debt services	-	-	15,882,016	9,107,228	24,989,244
Total Restricted	3,278,951	45,458,159	15,882,016	14,777,525	79,396,651
Assigned					
Program expenditures	3,264,505	-	-	-	3,264,505
Total Assigned	3,264,505	-	-	-	3,264,505
Unassigned					
Reserve for					
economic uncertainties	2,740,211	-	-	-	2,740,211
Remaining unassigned	4,722,868	-	-	-	4,722,868
Total Unassigned	7,463,079	-	-	-	7,463,079
Total	\$ 16,006,513	\$ 45,486,829	\$ 15,882,016	\$ 14,922,200	\$ 92,297,558

### NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Campbell School District. The Plan provides health care benefits insurance benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Membership of the Plan consists of 69 retirees currently receiving benefits and 752 active plan members. The over funded portion of annual required contributions (net OPEB obligation) is presented in the statement of net position as a portion of long-term assets.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on negotiated benefits caps with no future increases in the caps and with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2016-2017, the District contributed \$1,335,861 to the plan of which \$959,533 was deposited in the irrevocable trust and \$376,328 was paid for retiree health benefits by the District. Plan members are paid an annual amount equal to \$3,250 for premiums incurred by retirees and their dependents for a period of five years or up to ten years.

### Annual OPEB Cost and Net OPEB Asset

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset to the Plan:

Annual required contribution	\$	654,609
Interest on net OPEB asset		(128,281)
Adjustment to annual required contribution		160,074
Annual OPEB cost (expense)		<u>686,402</u>
Contributions made		<u>(1,335,861)</u>
Changes in net OPEB asset		<u>(649,459)</u>
Net OPEB (asset), beginning of year		<u>(2,441,606)</u>
Net OPEB (asset), end of year	\$	<u><u>(3,091,065)</u></u>

### Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2017	\$ 686,402	\$ 1,335,861	195%	\$ 3,091,065
2016	686,986	1,334,119	194%	2,441,606
2015	332,656	373,999	112%	1,794,473
2014	332,899	774,000	233%	1,753,130
2013	307,861	374,000	121%	1,312,029
2012	308,163	374,000	121%	1,245,890

# **CAMPBELL UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2017**

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### **Funded Status and Funding Progress**

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of July 1, 2015, the most recent actuarial valuation date, the plan was 44.82 percent funded. The actuarial accrued liability for benefits was \$6,221,205, and the actuarial value of assets was \$2,788,577, resulting in an UAAL of \$3,432,628. The covered payroll (annual payroll of active employees covered by the plan) was \$51,953,113, and the ratio of the UAAL to the covered payroll was 6.61 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.28 percent investment rate of return (net of administrative expenses), based on the long-term rate of earnings that the District expects to earn on its investments. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2017, was 21 years on a closed basis using the projected credit unit method. The actuarial value of assets was \$2,788,577. During the year, the District transferred \$959,533 to the Retiree Benefit Trust. At June 30, 2017, the trust fund's net position amounted to \$5,249,634.

## **NOTE 14 - RISK MANAGEMENT**

### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with South Bay Area Schools Insurance Authority 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.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Employee Medical Benefits

The District has contracted with the Kaiser and Blue Shield to provide employee health benefits. The rates are set through an annual calculation process.

### Workers' Compensation

The District is self-insured for Workers' Compensation. The District's workers' compensation activities are recorded in the Internal Service Fund. The purpose of the fund is to administer workers' compensation on a cost reimbursement basis.

For fiscal year 2017, the District participated in the CSAC Excess Insurance Authority, an insurance purchasing pool. The intent of the CSAC Excess Insurance Authority is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the CSAC Excess Insurance Authority. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the CSAC Excess Insurance Authority. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the CSAC Excess Insurance Authority. Participation in the CSAC Excess Insurance Authority is limited to districts that can meet the CSAC Excess Insurance Authority selection criteria.

### Claims Liabilities

The District records an estimated liability for workers' compensation. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	Workers' Compensation
Liability Balance, July 1, 2015	\$ 1,455,000
Claims and changes in estimates	112,000
Liability Balance, July 1, 2016	1,567,000
Claims and changes in estimates	119,000
Liability Balance, June 30, 2017	\$ 1,686,000
Assets available to pay claims at June 30, 2017	<u><u>\$ 1,687,475</u></u>

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017 the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 60,712,416	\$ 9,862,840	\$ 3,707,749	\$ 5,518,232
CalPERS	23,543,713	7,472,633	707,348	3,261,979
Total	<u>\$ 84,256,129</u>	<u>\$ 17,335,473</u>	<u>\$ 4,415,097</u>	<u>\$ 8,780,211</u>

The details of each plan are as follows:

#### **California State Teachers' Retirement System (CalSTRS)**

##### **Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

##### **Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.



# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$5,036,232.

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

At June 30, 2017, 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 net pension liability	\$ 60,712,416
State's proportionate share of the net pension liability associated with the District	34,562,496
Total	<u><u>\$ 95,274,912</u></u>

The net pension liability was measured as of June 30, 2016. 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 and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0751 percent and 0.0779 percent, resulting in a net decrease in the proportionate share of 0.0028 percent.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$5,518,232. In addition, the District recognized pension expense and revenue of \$3,340,829 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,036,232	\$ -
Net change in proportionate share of net pension liability	4,826,608	-
Differences between projected and actual earnings on plan investments	-	(1,481,010)
Differences between expected and actual experience in the measurement of the total pension liability	-	(2,226,739)
Total	<u>\$ 9,862,840</u>	<u>\$ (3,707,749)</u>

The deferred outflow 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 105,301
2019	105,301
2020	2,805,724
2021	1,810,282
Total	<u>\$ 4,826,608</u>

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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The deferred inflows of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2018	\$ (654,717)
2019	(654,717)
2020	(654,717)
2021	(654,717)
2022	(654,716)
2023	(434,165)
Total	<u>\$ (3,707,749)</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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%

### Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP'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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 87,378,859
Current discount rate (7.60%)	\$ 60,712,416
1% increase (8.60%)	\$ 38,565,569

### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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<https://www.calpers.ca.gov/page/forms-publications>.

### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$2,262,438.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,543,713. The net pension liability was measured as of June 30, 2016. 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. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.1192 percent and 0.1163 percent, resulting in a net increase in the proportionate share of 0.0029 percent.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$3,261,979. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,262,438	\$ -
Net change in proportionate share of net pension liability	544,363	-
Differences between projected and actual earnings on plan investments	3,653,227	-
Differences between expected and actual experience in the measurement of the total pension liability	1,012,605	-
Changes of assumptions	-	(707,348)
Total	<u>\$ 7,472,633</u>	<u>\$ (707,348)</u>

The deferred outflow 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 subsequent fiscal year. The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments is amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 512,413
2019	512,414
2020	1,674,939
2021	953,461
Total	<u>\$ 3,653,227</u>

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 323,057
2019	314,333
2020	212,230
Total	<u>\$ 849,620</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

### Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 35,127,351
Current discount rate (7.65%)	\$ 23,543,713
1% increase (8.65%)	\$ 13,898,055

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,228,770, \$2,493,559, and \$1,966,506, (8.828 percent of 2016-2017, 7.126 percent of 2015-2016, and 5.679 percent of 2014-2015 annual payroll, respectively) for the fiscal years ended June 30, 2017, 2016, and 2015 respectively. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded on the financial statements. On behalf payments have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund-Budgetary Comparison Schedule*.



# **CAMPBELL UNION SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security to cover part-time employees as its alternative plan.

### **NOTE 16 - COMMITMENTS AND CONTINGENCIES**

#### **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, 2017.

#### **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, 2017.

#### **Construction Commitments**

The District had construction commitments for various school sites in the amount of approximately \$29.5 million as of June 30, 2017.

### **NOTE 17 - TAX ABATEMENTS**

As of June 30, 2017, the County of Santa Clara provides a tax abatement program through California Land Conservation Act of 1965, commonly referred to as the Williamson Act.

The Williamson Act affects taxing entity's share of the 1% ad valorem tax (property tax). The Williamson Act enables the County to enter into agreement with private landowners for restricting specific parcels of land to agricultural or related open space use for a ten year period. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value.

As a result of the Williamson Act, Campbell Union School District's property tax revenues were reduced by \$56,976 for the year ended June 30, 2017.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 18 - OPERATING LEASE REVENUES

The District has entered into various operating leases with various lessees for district owned facilities with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenues
2018	\$ 1,294,047
2019	1,348,824
2020	1,406,118
2021	1,089,856
2022	658,897
2023-2027	3,670,668
2028-2032	4,465,929
2033-2037	5,433,486
2038-2042	6,610,666
2043-2044	2,257,101
Total	<u>\$ 28,235,593</u>

### NOTE 19 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the South Bay Area School Insurance Authority (SBASIA), the Self-Insured Schools of California (SISC) and the West Valley Schools Transportation Agency joint powers authority (WVSTA). The District pays an annual premium to the applicable entity for its health, worker's compensation, property liability coverage, and transportation services. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2017, the District made payments of \$322,038 and \$523,305 to the SBASIA and the WVSTA, respectively for services received.

***REQUIRED SUPPLEMENTARY INFORMATION***

# CAMPBELL UNION SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Favorable (Unfavorable)
	Original	Final		Final to Actual
<b>REVENUES</b>				
Local control funding formula	\$ 68,523,929	\$ 70,934,524	\$ 70,934,524	\$ -
Federal sources	3,285,035	3,015,349	3,015,349	-
Other state sources	7,685,424	7,403,503	7,403,503	-
Other local sources	7,783,569	6,594,302	6,594,302	-
<b>Total Revenues</b>	<b>87,277,958</b>	<b>87,947,678</b>	<b>87,947,678</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	38,806,465	40,676,976	40,676,976	-
Classified salaries	12,542,590	12,983,913	12,983,913	-
Employee benefits	19,210,285	19,448,996	19,448,996	-
Books and supplies	6,404,084	4,191,970	4,191,970	-
Services and operating expenditures	7,462,452	8,143,264	8,143,264	-
Other outgo	402,229	205,989	205,989	-
Capital outlay	218,671	989,839	989,839	-
<b>Total Expenditures</b>	<b>85,046,775</b>	<b>86,640,947</b>	<b>86,640,947</b>	<b>-</b>
<b>Excess of Revenues</b>				
<b>Over Expenditures</b>	<b>2,231,183</b>	<b>1,306,731</b>	<b>1,306,731</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	260,000	-	-	-
Transfers out	(600,000)	(4,357,824)	(4,357,824)	-
<b>Net Financing Uses</b>	<b>(340,000)</b>	<b>(4,357,824)</b>	<b>(4,357,824)</b>	<b>-</b>
<b>NET CHANGE IN</b>				
<b>FUND BALANCES</b>	<b>1,891,183</b>	<b>(3,051,093)</b>	<b>(3,051,093)</b>	<b>-</b>
<b>Fund Balance - Beginning</b>	<b>19,006,936</b>	<b>19,006,936</b>	<b>19,006,936</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 20,898,119</b>	<b>\$ 15,955,843</b>	<b>15,955,843</b>	<b>\$ -</b>
<b>Special Reserve Fund Balance</b>			<b>50,670</b>	
<b>Fund Balance - Ending (GAAP Basis)</b>			<b>\$ 16,006,513</b>	

See accompanying note to required supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ 1,180,053	\$ 2,917,435	\$ 1,737,382	40.45%	\$ 43,504,457	3.99%
July 1, 2013	1,920,739	3,297,959	1,377,220	58.24%	47,180,216	2.92%
July 1, 2015	2,788,577	6,221,205	3,432,628	44.82%	51,953,113	6.61%

See accompanying note to required supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

Measurement Date, As of June 30,	2016	2015	2014
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.07510%	0.07795%	0.07871%
District's proportionate share of the net pension liability	\$ 60,712,416	\$ 52,477,611	\$ 45,998,651
State's proportionate share of the net pension liability associated with the District	34,562,496	27,754,871	27,775,972
Total	\$ 95,274,912	\$ 80,232,482	\$ 73,774,623
District's covered payroll	\$ 37,639,046	\$ 33,125,202	\$ 34,992,947
District's proportionate share of the net pension liability as a percentage of its covered payroll	161.30%	158.42%	131.45%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
<b>CalPERS</b>			
District's proportion of the net pension liability	0.11920%	0.11632%	0.11342%
District's proportionate share of the net pension liability	\$ 23,543,713	\$ 17,145,131	\$ 12,876,020
District's covered payroll	\$ 14,315,077	\$ 12,879,989	\$ 12,310,080
District's proportionate share of the net pension liability as a percentage of its covered payroll	164.47%	133.11%	104.60%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
<b>CalSTRS</b>			
Contractually required contribution	\$ 5,036,232	\$ 4,035,819	\$ 3,244,082
Contributions in relation to the contractually required contribution	5,036,232	4,035,819	3,244,082
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 40,036,262	\$ 37,639,046	\$ 33,125,202
Contributions as a percentage of covered payroll	12.58%	10.72%	9.79%
<b>CalPERS</b>			
Contractually required contribution	\$ 2,262,438	\$ 1,698,474	\$ 1,473,738
Contributions in relation to the contractually required contribution	2,262,438	1,698,474	1,473,738
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 16,290,598	\$ 14,315,077	\$ 12,879,989
Contributions as a percentage of covered payroll	13.89%	11.86%	11.44%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes in Assumptions* – There were no changes in assumptions since the previous valuations for CalSTRS. CalPERS discount rate was changed from 7.50% to 7.65% in 2016.

#### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



## ***SUPPLEMENTARY INFORMATION***

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# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal <sup>2</sup> Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
No Child Left Behind Act:			
Title I, Basic Grants Low Income and Neglected	84.010	14329	\$ 1,004,911
Title II, Teacher Quality	84.367	14341	237,896
Title III, Limited English Proficiency (LEP)	84.365	10084	162,808
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement	84.027	13379	1,215,651
Basic Local Assistance Entitlement Private Schools ISP's	84.027	10115	5,725
Preschool Grants	84.173	13430	56,898
Preschool Local Entitlement	84.027A	13682	178,284
Preschool Staff Development	84.173A	13431	387
Total Special Education Cluster			<u>1,456,945</u>
Total U.S. Department of Education			<u>2,862,560</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391/13396	1,298,109
Basic School Breakfast	10.553	13390	210,673
Meal Supplements	10.556	13528	349
Fair Market Value of Commodities <sup>1</sup>	10.555	<sup>3</sup>	<u>141,218</u>
Total Child Nutrition Cluster			1,650,349
Child and Adult Care Food Program	10.558	13666	<u>350,309</u>
Total U.S. Department of Agriculture			<u>2,000,658</u>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
Passed through CDE:			
Child Development: Federal Child Care Center-Based	93.596	13609	268,445
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	<u>152,789</u>
Total U.S. Department of Health and Human Services			<u>421,234</u>
Total Expenditures of Federal Awards			<u>\$5,284,452</u>

<sup>1</sup> Commodities are not recorded in the financial statement.

<sup>2</sup> Federal sources as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance includes revenue from the Build America Bonds Act of \$1,106,622 that are excluded from this schedule.

<sup>3</sup> Pass-through Entity Identifying Number not available

See accompanying note to supplementary information.

# **CAMPBELL UNION SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017**

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### **ORGANIZATION**

The Campbell Union School District (the “District”) established as an elementary school district on September 7, 1921, is located in the suburbs of Santa Clara County’s Silicon Valley. The District encompasses a 14 square mile area and serves portions of Campbell, San Jose, Los Gatos, Monte Sereno, Saratoga, Santa Clara and an unincorporated area of Santa Clara County. The District maintains one middle school and eleven charter schools, a District Office, a Corporation Yard and three closed school sites. The District leases one site to The Home Depot, one site (Hazelwood) to Canyon Heights Academy and the third site (Dover) to San Jose Christian School.

### **GOVERNING BOARD**

MEMBER	OFFICE	TERM EXPIRES
Thomas M. Gemetti	President	2018
Michael L. Snyder	Vice President	2020
Richard Nguyen	Clerk	2018
Danielle M.S. Cohen	Member	2018
Pablo A. Beltran	Member	2020

### **ADMINISTRATION**

NAME	TITLE
Dr. Shelly Viramontez	Superintendent
James Crawford	Deputy Superintendent, Administrative Services
Lena Bundtzen	Associate Superintendent, Human Resources
Whitney Holton	Assistant Superintendent, Instructional Services
Peg Tushak	Assistant to Superintendent

See accompanying note to supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	-	0.17
Fourth through sixth	276.55	273.86
Seventh and eighth	342.78	339.28
Total Regular ADA	619.33	613.31
Extended Year Special Education		
Transitional kindergarten through third	6.88	6.88
Fourth through sixth	1.28	1.28
Seventh and eighth	0.61	0.61
Total Extended Year Special Education	8.77	8.77
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.18	1.24
Seventh and eighth	4.44	4.66
Total Special Education, Nonpublic, Nonsectarian Schools	5.62	5.90
Extended Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.19	0.19
Seventh and eighth	0.50	0.50
Total Extended Special Education, Nonpublic, Nonsectarian Schools	0.69	0.69
Total District ADA	634.41	628.67
Total Charter School ADA	6,581.02	6,559.54
Grand Total	7,215.43	7,188.21

See accompanying note to supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE – CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2017

CHARTER SCHOOLS	Sherman Oaks	Village	Lynhaven	Blackford
Second Period Report				
Classroom-Based				
Transitional kindergarten through third	354.54	182.38	400.42	337.58
Fourth through sixth	163.39	85.85	134.65	145.04
Seventh and eighth	-	-	-	-
Total Classroom-Based	517.93	268.23	535.07	482.62
Non Classroom-Based				
Transitional kindergarten through third	-	1.06	0.79	0.25
Fourth through sixth	-	0.52	0.13	0.10
Seventh and eighth	-	-	-	-
Total Non Classroom-Based	-	1.58	0.92	0.35
Total Charter School	517.93	269.81	535.99	482.97
Annual Report				
Classroom-Based				
Transitional kindergarten through third	353.54	182.28	399.76	336.89
Fourth through sixth	163.24	85.88	134.37	144.46
Seventh and eighth	-	-	-	-
Total Classroom-Based	516.78	268.16	534.13	481.35
Non Classroom-Based				
Transitional kindergarten through third	-	0.92	0.54	0.20
Fourth through sixth	-	0.46	0.09	0.14
Seventh and eighth	-	-	-	-
Total Non Classroom-Based	-	1.38	0.63	0.34
Total Charter School	516.78	269.54	534.76	481.69

See accompanying note to supplementary information.

<u>Castlemont</u>	<u>Capri</u>	<u>Forest Hill</u>	<u>Marshall Lane</u>	<u>Rosemary</u>	<u>Monroe</u>	<u>Rolling Hills</u>	<u>Total</u>
458.94	473.41	455.38	375.17	351.92	-	-	3,389.74
206.16	204.09	179.27	168.23	156.78	282.63	363.47	2,089.56
-	-	-	-	-	518.80	544.34	1,063.14
<u>665.10</u>	<u>677.50</u>	<u>634.65</u>	<u>543.40</u>	<u>508.70</u>	<u>801.43</u>	<u>907.81</u>	<u>6,542.44</u>
0.62	1.36	1.47	2.07	0.14	-	8.11	15.87
0.26	0.24	0.58	0.57	-	0.04	6.30	8.74
-	-	-	-	-	0.18	13.79	13.97
<u>0.88</u>	<u>1.60</u>	<u>2.05</u>	<u>2.64</u>	<u>0.14</u>	<u>0.22</u>	<u>28.20</u>	<u>38.58</u>
<u>665.98</u>	<u>679.10</u>	<u>636.70</u>	<u>546.04</u>	<u>508.84</u>	<u>801.65</u>	<u>936.01</u>	<u>6,581.02</u>
458.19	470.05	455.44	374.53	347.67	-	-	3,378.35
204.91	205.24	178.99	167.19	156.04	281.78	363.73	2,085.83
-	-	-	-	-	516.99	541.23	1,058.22
<u>663.10</u>	<u>675.29</u>	<u>634.43</u>	<u>541.72</u>	<u>503.71</u>	<u>798.77</u>	<u>904.96</u>	<u>6,522.40</u>
0.49	1.34	1.60	1.89	0.10	-	8.04	15.12
0.20	0.29	0.47	0.44	-	0.02	6.59	8.70
-	-	-	-	-	0.12	13.20	13.32
<u>0.69</u>	<u>1.63</u>	<u>2.07</u>	<u>2.33</u>	<u>0.10</u>	<u>0.14</u>	<u>27.83</u>	<u>37.14</u>
<u>663.79</u>	<u>676.92</u>	<u>636.50</u>	<u>544.05</u>	<u>503.81</u>	<u>798.91</u>	<u>932.79</u>	<u>6,559.54</u>

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
District (Campbell Middle School)				
Grade 5	54,000	59,432	180	Complied
Grade 6	54,000	59,432	180	Complied
Grade 7	54,000	59,432	180	Complied
Grade 8	54,000	59,432	180	Complied
Sherman Oaks Charter Elementary School				
Kindergarten	36,000	55,560	180	Complied
Grade 1	50,400	52,180	180	Complied
Grade 2	50,400	52,180	180	Complied
Grade 3	50,400	52,180	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Grade 6	54,000	55,740	180	Complied
Village Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Lynhaven Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Blackford Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied

See accompanying note to supplementary information.



# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Castlemont Charter Elementary School				
Kindergarten	36,000	56,100	180	Complied
Grade 1	50,400	52,040	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Grade 5	54,000	55,740	180	Complied
Capri Charter Elementary School				
Kindergarten	36,000	55,920	180	Complied
Grade 1	50,400	52,320	180	Complied
Grade 2	50,400	52,320	180	Complied
Grade 3	50,400	52,320	180	Complied
Grade 4	54,000	55,920	180	Complied
Grade 5	54,000	55,920	180	Complied
Forest Hill Charter Elementary School				
Kindergarten	36,000	55,684	180	Complied
Grade 1	50,400	52,084	180	Complied
Grade 2	50,400	52,084	180	Complied
Grade 3	50,400	52,084	180	Complied
Grade 4	54,000	55,756	180	Complied
Grade 5	54,000	55,756	180	Complied
Marshall Lane Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,700	180	Complied
Grade 5	54,000	55,700	180	Complied

See accompanying note to supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Status
Rosemary Charter Elementary School				
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	52,140	180	Complied
Grade 2	50,400	52,140	180	Complied
Grade 3	50,400	52,140	180	Complied
Grade 4	54,000	55,740	180	Complied
Monroe Charter Middle School				
Grade 5	54,000	59,664	180	Complied
Grade 6	54,000	59,664	180	Complied
Grade 7	54,000	59,664	180	Complied
Grade 8	54,000	59,664	180	Complied
Rolling Hills Charter Middle School				
Grade 5	54,000	59,397	180	Complied
Grade 6	54,000	59,397	180	Complied
Grade 7	54,000	59,397	180	Complied
Grade 8	54,000	59,397	180	Complied

See accompanying note to supplementary information.

## CAMPBELL UNION SCHOOL DISTRICT

### RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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Summarized below is the fund balance reconciliation between the Unaudited Actual Financial Report and the audited financial statements.

	General	Special Reserve Other
FUND BALANCE		
Balance, June 30, 2017, Unaudited Actuals	\$ 15,955,843	\$ 50,670
As required by GASB 54, the Special Reserve-Other Fund is combined with General Fund in the Audit Report	50,670	(50,670)
Balance, June 30, 2017, Audited Financial Statement	<u>\$ 16,006,513</u>	<u>\$ -</u>

See accompanying note to supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 <sup>1</sup>	2017	2016	2015
GENERAL FUND <sup>3</sup>				
Revenues	\$ 85,065,693	\$ 87,947,678	\$ 88,410,476	\$ 75,337,023
Other sources and transfers in	475,000	-	96,419	275,400
Total Revenues and Other Sources	85,540,693	87,947,678	88,506,895	75,612,423
Expenditures	85,422,473	86,640,947	80,209,128	74,276,892
Other uses and transfers out	600,000	4,357,824	10,100,000	300,000
Total Expenditures and Other Uses	86,022,473	90,998,771	90,309,128	74,576,892
INCREASE (DECREASE) IN FUND BALANCE	\$ (481,780)	\$ (3,051,093)	\$ (1,802,233)	\$ 1,035,531
ENDING FUND BALANCE	\$ 15,474,064	\$ 15,955,843	\$ 19,006,936	\$ 20,809,169
AVAILABLE RESERVES <sup>2</sup>	\$ 8,092,203	\$ 7,463,079	\$ 9,645,707	\$ 9,016,189
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	9.41%	8.20%	10.68%	12.09%
LONG-TERM DEBT	\$ 305,332,215	\$ 312,551,800	\$ 266,573,364	\$ 268,463,902
K-8 AVERAGE DAILY ATTENDANCE AT P-2 <sup>4</sup>	7,151	7,215	7,340	7,393

The General Fund balance has decreased by \$4,853,326 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$481,780. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses.

The District has incurred an operating deficit in two of past three years, and anticipates an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$44,087,898 over the past two years.

Average daily attendance has decreased by 178 over the past two years. A decrease of 65 ADA is anticipated during fiscal year 2017-2018.

<sup>1</sup> Budget 2018 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances within the General Fund and the Special Reserve – Noncapital Fund.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Outlay Projects.

<sup>4</sup> P-2 ADA includes all charter schools in the District.

See accompanying note to supplementary information.

# **CAMPBELL UNION SCHOOL DISTRICT**

## **SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2017**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Blackford Charter Elementary School	Yes
Capri Charter Elementary School	Yes
Castlemont Charter Elementary School	Yes
Forest Hill Charter Elementary School	Yes
Lynhaven Charter Elementary School	Yes
Marshall Lane Charter Elementary School	Yes
Monroe Charter Middle School	Yes
Rolling Hills Charter Middle School	Yes
Rosemary Charter Elementary School	Yes
Sherman Oaks Charter Elementary School	Yes
Village Charter Elementary School	Yes

See accompanying note to supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 1,731,757	\$ 550,993	\$ 2,826,305	\$ 9,081,592	\$ 14,190,647
Receivables	6,526	481,440	7,497	25,636	521,099
Due from other funds	421,388	4,869	-	-	426,257
Prepaid expenditures	2,957	-	-	-	2,957
Stores inventories	-	141,218	-	-	141,218
<b>Total Assets</b>	<u>\$ 2,162,628</u>	<u>\$ 1,178,520</u>	<u>\$ 2,833,802</u>	<u>\$ 9,107,228</u>	<u>\$ 15,282,178</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 109,409	\$ 86,970	\$ -	\$ -	\$ 196,379
Due to other funds	4,869	27,625	-	-	32,494
Unearned revenue	131,105	-	-	-	131,105
<b>Total Liabilities</b>	<u>245,383</u>	<u>114,595</u>	<u>-</u>	<u>-</u>	<u>359,978</u>
<b>Fund Balances:</b>					
Nonspendable	3,457	141,218	-	-	144,675
Restricted	1,913,788	922,707	2,833,802	9,107,228	14,777,525
<b>Total Fund Balances</b>	<u>1,917,245</u>	<u>1,063,925</u>	<u>2,833,802</u>	<u>9,107,228</u>	<u>14,922,200</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,162,628</u>	<u>\$ 1,178,520</u>	<u>\$ 2,833,802</u>	<u>\$ 9,107,228</u>	<u>\$ 15,282,178</u>

See accompanying note to supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Federal sources	\$ 268,445	\$ 1,859,440	\$ -	\$ -	\$ 2,127,885
Other state sources	1,903,595	110,426	-	-	2,014,021
Other local sources	4,496,436	649,330	1,631,059	90,751	6,867,576
<b>Total Revenues</b>	<u>6,668,476</u>	<u>2,619,196</u>	<u>1,631,059</u>	<u>90,751</u>	<u>10,918,731</u>
<b>EXPENDITURES</b>					
Current					
Instruction	3,878,758	-	-	-	3,878,758
Instruction-related activities:					
Supervision of instruction	691,855	-	-	-	691,855
School site administration	602,414	-	-	-	602,414
Pupil services:					
Food services	-	2,437,043	-	-	2,437,043
Administration:					
All other administration	226,255	101,336	-	-	327,591
Plant services	225,512	-	-	-	225,512
Facility acquisition and construction	93,248	32,738	-	-	125,986
Debt service					
Principal	-	-	-	175,000	175,000
Interest and other	-	-	-	88,619	88,619
<b>Total Expenditures</b>	<u>5,718,042</u>	<u>2,571,117</u>	<u>-</u>	<u>263,619</u>	<u>8,552,778</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>950,434</u>	<u>48,079</u>	<u>1,631,059</u>	<u>(172,868)</u>	<u>2,456,704</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	57,824	-	-	-	57,824
Transfers out	(400,000)	-	-	-	(400,000)
<b>Net Financing Sources (Uses)</b>	<u>(342,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(342,176)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>608,258</u>	<u>48,079</u>	<u>1,631,059</u>	<u>(172,868)</u>	<u>2,114,528</u>
<b>Fund Balance - Beginning</b>	<u>1,308,987</u>	<u>1,015,846</u>	<u>1,202,743</u>	<u>9,280,096</u>	<u>12,807,672</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,917,245</u>	<u>\$ 1,063,925</u>	<u>\$ 2,833,802</u>	<u>\$ 9,107,228</u>	<u>\$ 14,922,200</u>

See accompanying note to supplementary information.

# CAMPBELL UNION SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

---

### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and		
Changes in Fund Balance:		\$ 6,249,856
Commodities are not recorded on the financial statement	10.555	141,218
Federal reimbursement for Build America Bonds		(1,106,622)
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,284,452</u>

#### 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.

#### 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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by *Education Code* Section 46201.



# **CAMPBELL UNION SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017**

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### **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 Unaudited Actual Financial Report to the audited financial statements.

### **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.

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

## ***INDEPENDENT AUDITOR'S REPORTS***



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

Governing Board  
Campbell Union School District  
Campbell, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell Union School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Campbell Union School District's basic financial statements, and have issued our report thereon dated November 14, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Campbell Union 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 Campbell Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Campbell Union 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal 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 Campbell Union 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Davsinek, Trine, Day & Co., LLP". The signature is written in a cursive, flowing style.

Palo Alto, California  
November 14, 2017



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

Governing Board  
Campbell Union School District  
Campbell, California

**Report on Compliance for Each Major Federal Program**

We have audited Campbell Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Campbell Union School District's (the District) major Federal programs for the year ended June 30, 2017. Campbell Union School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Campbell Union School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Campbell Union 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 for each major Federal program. However, our audit does not provide a legal determination of Campbell Union School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Campbell Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Campbell Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Campbell Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Campbell Union School District's internal control over compliance.

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

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

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



Palo Alto, California  
November 14, 2017



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Campbell Union School District  
Campbell, California

### **Report on State Compliance**

We have audited Campbell Union School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Campbell Union School District's State government programs as noted below for the year ended June 30, 2017.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Campbell Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Campbell Union 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 opinions. Our audit does not provide a legal determination of Campbell Union School District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Campbell Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below



We did not perform testing for Independent Study because the ADA generated is below the testing threshold.

The District does not offer a Continuation Education Program; therefore, we did not perform any procedures related to the Continuation Education Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.


The District does not have a public school that has K-3 Grade Span; therefore, we did not perform any procedures related to the K-3 Grade Span Adjustment.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer a Course based Independent Study program; therefore, we did not perform any procedures related to the Independent Study - Course Based.

We did not perform testing for Determination of Funding for Non-Classroom-Based Instruction because the total Non-Classroom-Based ADA generated is below the testing threshold.

The District did not receive any Charter School Facility Grant; therefore, we did not perform any procedures related to the Charter School Facility Grant Program.

  
Palo Alto, California  
November 14, 2017

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

# CAMPBELL UNION SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2017

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### FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	
Identification of major federal programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.027/84.027A/84.173/84.173A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**CAMPBELL UNION SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**CAMPBELL UNION SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**CAMPBELL UNION SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**CAMPBELL UNION SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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There were no audit findings reported in the prior year's schedule of financial statement findings.

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## **APPENDIX D**

### **EXCERPTS FROM THE COUNTY TREASURER'S QUARTERLY INVESTMENT REPORT AS OF MARCH 31, 2018**

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## Santa Clara County Commingled Pool and Segregated Investments

**March 31, 2018**

<b>Fund</b>	<b>Cost Value**</b>	<b>Market Value</b>	<b>Variance</b>	<b>% Variance</b>
Commingled Investment Pool	\$7,472,041,604	\$7,414,085,280	-\$57,956,323	-0.78%
Worker's Compensation	\$28,155,238	\$28,057,803	-\$97,434	-0.35%
Park Charter Fund	\$4,148,841	\$4,122,335	-\$26,505	-0.64%
San Jose-Evergreen	\$17,219,640	\$17,151,249	-\$68,391	-0.40%
Medical Malpractice Insurance Fund (1)	\$9,187,743	\$9,049,102	-\$138,640	-1.51%
<b>Total</b>	<b>\$7,530,753,065</b>	<b>\$7,472,465,771</b>	<b>-\$58,287,294</b>	<b>-0.77%</b>

(1) Managed by Chandler Asset Management, Inc.

### Summary of Yields\* for Select Santa Clara County Investment Funds

<b>Fund</b>	<b>2018</b>			<b>2017</b>
	<b><u>Jan 31</u></b>	<b><u>Feb 28</u></b>	<b><u>Mar 31</u></b>	<b><u>Mar 31</u></b>
Commingled Investment Pool	0.99%	1.54%	1.60%	1.10%
Worker's Compensation	1.44%	1.44%	1.44%	1.40%
<b>Weighted Yield</b>	<b>1.50%</b>	<b>1.54%</b>	<b>1.60%</b>	<b>1.10%</b>

\*Yield to maturity (YTM) is the rate of return paid on a bond, note, or other fixed income security if the investor buys and holds it to its maturity date and if the coupon interest paid over the life of the bond is reinvested at the same rate as the coupon rate. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price at time of purchase.

Yield is a snapshot measure of the yield of the portfolio on the day it was measured based on the current portfolio holdings on that day. This is not a measure of total return, and is not intended to be, since it does not factor in unrealized capital gains and losses and reinvestment rates are dependent upon interest rate changes

\*\*Cost Value is the amortized book value of the securities as of the date of this report.

# Santa Clara County Commingled Pool and Segregated Investments



## Portfolio Strategy

March 31, 2018

The U.S. economy grew at a slower pace but generated moderate growth during the first quarter ending March 31, 2018. Gross domestic product (GDP), the value of all goods and services produced in the nation, rose at a 2.3 percent annualized rate. This is a reduction from the prior three quarters in which GDP growth hovered above or near 3 percent. GDP grew 2.9 percent in the last quarter of 2017. Of note, first quarter final sales to domestic purchasers, an important component of GDP, increased at only a 1.6 percent pace. This is the slowest in two years. Sluggishness in first quarter growth appeared broadly dispersed. Consumer spending, 70 percent of the domestic economy, rose by a meager 1.1 percent. Business equipment spending and residential investment also slowed. A reduction across federal, state and local outlays slowed the growth rate of government spending to 1.2 percent from 3 percent in the prior quarter.

Economists generally have assessed first quarter slower growth as transitory. Delayed tax refunds potentially held down consumer spending, weakening the impact of \$1.5 trillion in corporate and individual tax cuts which became effective January 2018. More importantly, gains in disposable income resulting from strengthening labor markets should bolster consumption for the remainder of 2018. Tighter monetary policy and potential changes in U.S. trade and tariff policies could create risks for the domestic economy but most analysts contend the impact of these concerns are still too remote to determine.

Federal Reserve Bank (Fed) policy makers raised interest rates in March and indicated that at least two additional hikes will occur during 2018. Policy makers expressed confidence in their decision which found support from a rate of U.S. price inflation finally exceeding 2 percent, unemployment at 3.9 percent and accelerating wage growth. The Fed lifted the trading range for its benchmark interest rate to 1.5 percent - 1.75 percent from a range of 1.25 percent - 1.5 percent. The gradual pace of interest rate hikes by the Fed has provided support for continued growth in the labor market and economy. Investors expect the Fed to raise interest rates next in June which would be the second time in 2018 and the seventh time since 2015.

Labor Department reports continue to show that demand for U.S. workers remains solid and confirm labor markets are robust enough to help support 3 percent growth in the economy. Employers increased payrolls in March and again in April, pushing the unemployment rate down to 3.9 percent, the lowest since December 2000 and a noteworthy milestone for the current economic recovery. There was approximately one unemployed person per opening in March, compared with 1.9 people when the recession began at the end of 2007.

The portfolio strategy continues to focus on the:

- (1) acquisition of high quality issuers;
- (2) identifying and selecting bonds with attractive valuations;
- (3) appropriately sizing the liquidity portion of the portfolio to ensure adequate cash for near term obligations; and
- (4) ensuring that monies targeted for longer term investments are deployed in vehicles with favorable risk-adjusted yields.

Broker-dealers have generally down-sized the amount of securities carried in inventories in response to risk-curbing rules crafted after the 2008 financial crisis. These risk curbing rules include the international regulatory framework for banks called Basel III and the U.S. 2010 Dodd-Frank Law. The Treasury Division has increased its capability to review a larger volume of inventory listings to find attractive bonds. Portfolio structuring does not solely rely on interest rate anticipation strategies, which primarily speculate on the direction of interest rates to earn favorable returns.



## **Santa Clara County Commingled Pool and Segregated Investments**

### **Portfolio Compliance, Review, and Monitoring**

**March 31, 2018**

#### **Yield and Weighted Average Maturity**

The yield of the Commingled Pool is 1.60 and the weighted average life is 503 days.

#### **Compliance**

The County Treasurer believes the Commingled Pool contains sufficient cash flow from liquid and maturing securities, bank deposits and incoming cash to meet the next six months of expected expenditures.

#### **Review and Monitoring**

FTN Financial Main Street Advisors, the County's investment advisor, currently monitors the Treasury Department's investment activities.

#### **Additional Information**

Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by the Bank of New York Mellon, Bloomberg Analytics, dealer quotes, and an independent pricing service.



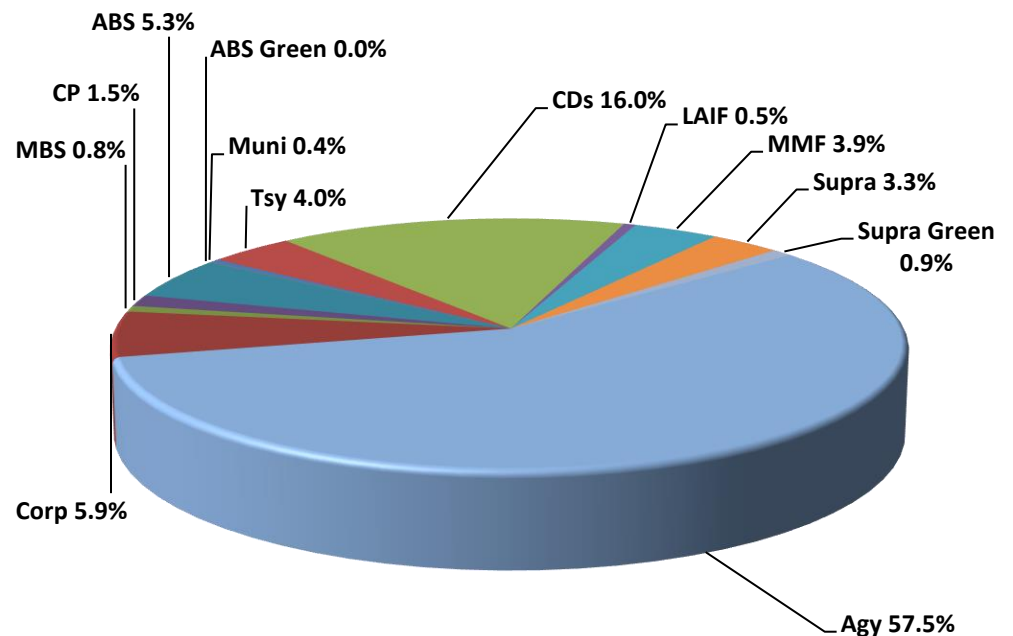
## Santa Clara County Commingled Pool

### Allocation by Security Types

March 31, 2018

Sector	3/31/2018	12/31/2017	% Chng
Federal Agencies	57.49%	48.70%	8.8%
Corporate Bonds	5.85%	4.61%	1.2%
Mortgage Backed Securities	0.76%	0.00%	0.8%
Commercial Paper	1.46%	8.12%	-6.7%
ABS	5.28%	3.83%	1.5%
ABS Green Bonds	0.04%	0.05%	0.0%
Municipal Securities	0.43%	0.38%	0.0%
U.S. Treasuries	4.00%	1.65%	2.3%
Negotiable CDs	15.99%	17.48%	-1.5%
LAIF	0.54%	0.48%	0.1%
Money Market Funds	3.92%	9.42%	-5.5%
Supranationals	3.28%	4.45%	-1.2%
Supranationals Green Bonds	0.94%	0.83%	0.1%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	

Sector	3/31/2018	12/31/2017
Federal Agencies	4,296,008,000	4,103,491,578
Corporate Bonds	437,414,509	388,253,635
Mortgage Backed Securities	57,053,963	-
Commercial Paper	109,151,654	684,473,271
ABS	394,758,524	322,783,565
ABS Green Bonds	3,087,091	3,899,207
Municipal Securities	32,013,562	32,017,658
U.S. Treasuries	298,655,247	139,350,104
Negotiable CDs	1,195,000,000	1,473,250,383
LAIF	40,702,471	40,579,274
Money Market Funds	293,144,175	793,765,202
Supranational	245,052,408	374,911,187
Supranationals Green Bonds	70,000,000	70,000,000
<b>Total</b>	<b>7,472,041,604</b>	<b>8,426,775,063</b>



Amounts are based on book value

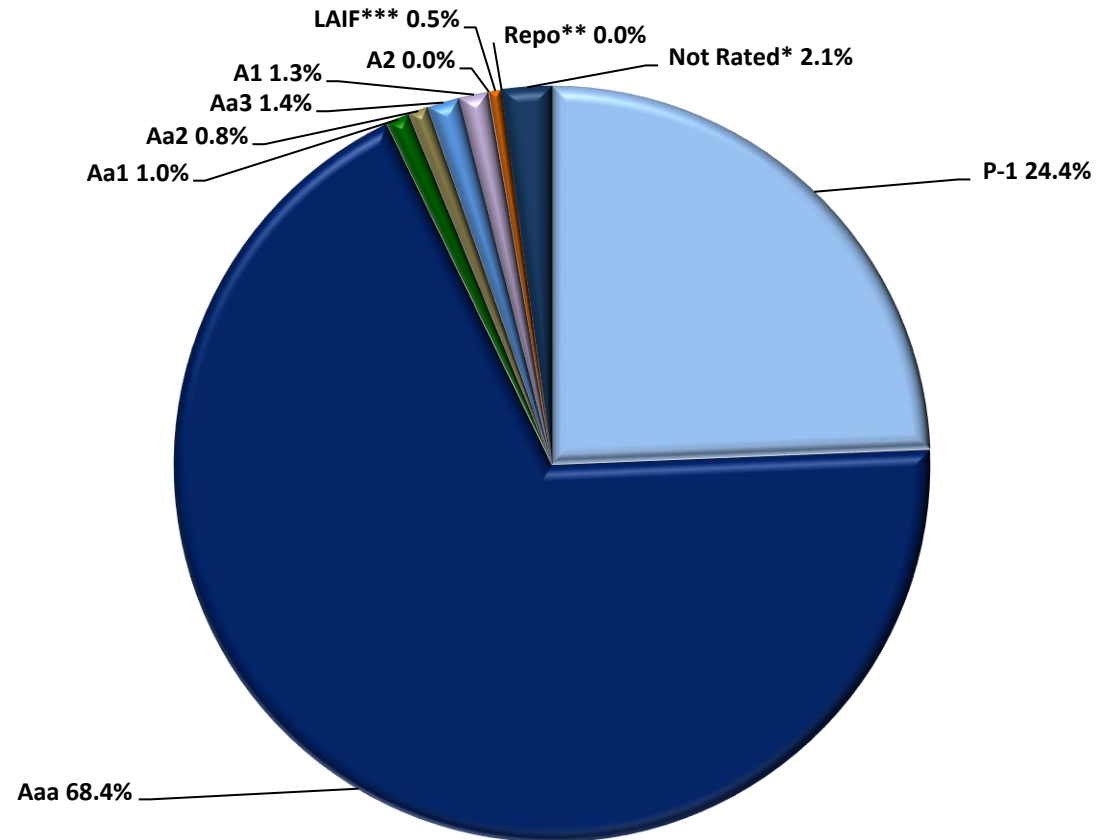


## Santa Clara County Commingled Pool

### Allocation by Ratings

March 31, 2018

Moody's Rating	Portfolio \$	Portfolio %
P-1	1,820,091,130	24.4%
Aaa	5,113,769,129	68.4%
Aa1	74,953,644	1.0%
Aa2	63,233,655	0.8%
Aa3	103,954,431	1.4%
A1	94,735,515	1.3%
A2	-	0.0%
A3	-	0.0%
LAIF***	40,702,471	0.5%
Repo**	-	0.0%
Not Rated*	160,601,630	2.1%
Total	7,472,041,604	100.0%



\*Not Rated by Moody's but A-1+ by S&P

\*\*Repurchase Agreements are not rated, but are collateralized by U.S. Treasury securities or securities issued by the Federal Agencies of the U.S.

\*\*\*LAIF is not rated, but is comprised of State Code allowable securities

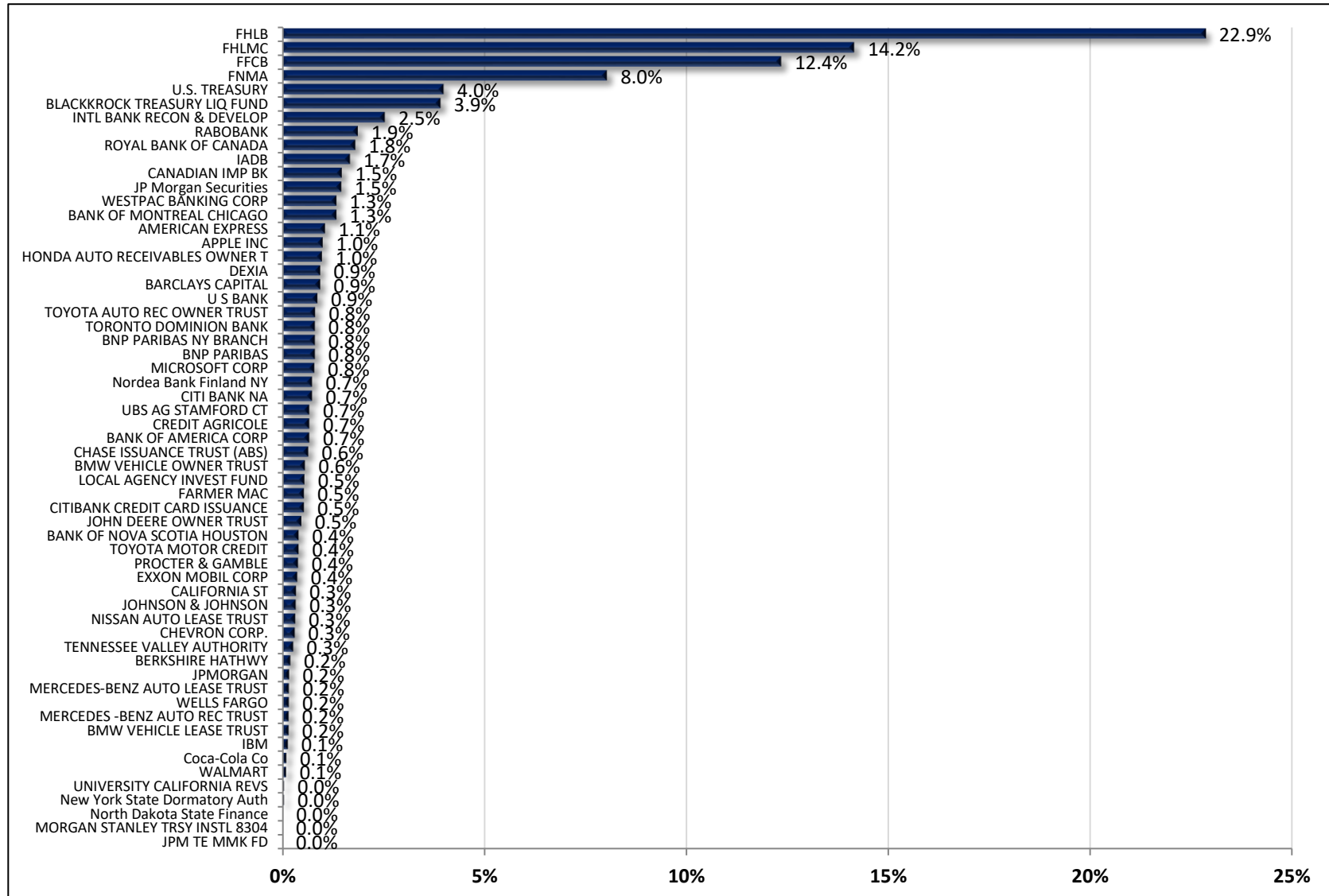
Amounts are based on book values



## Santa Clara County Commingled Pool

### Holdings by Issuer - Percent of Commingled Pool

March 31, 2018



Amounts are based on book values

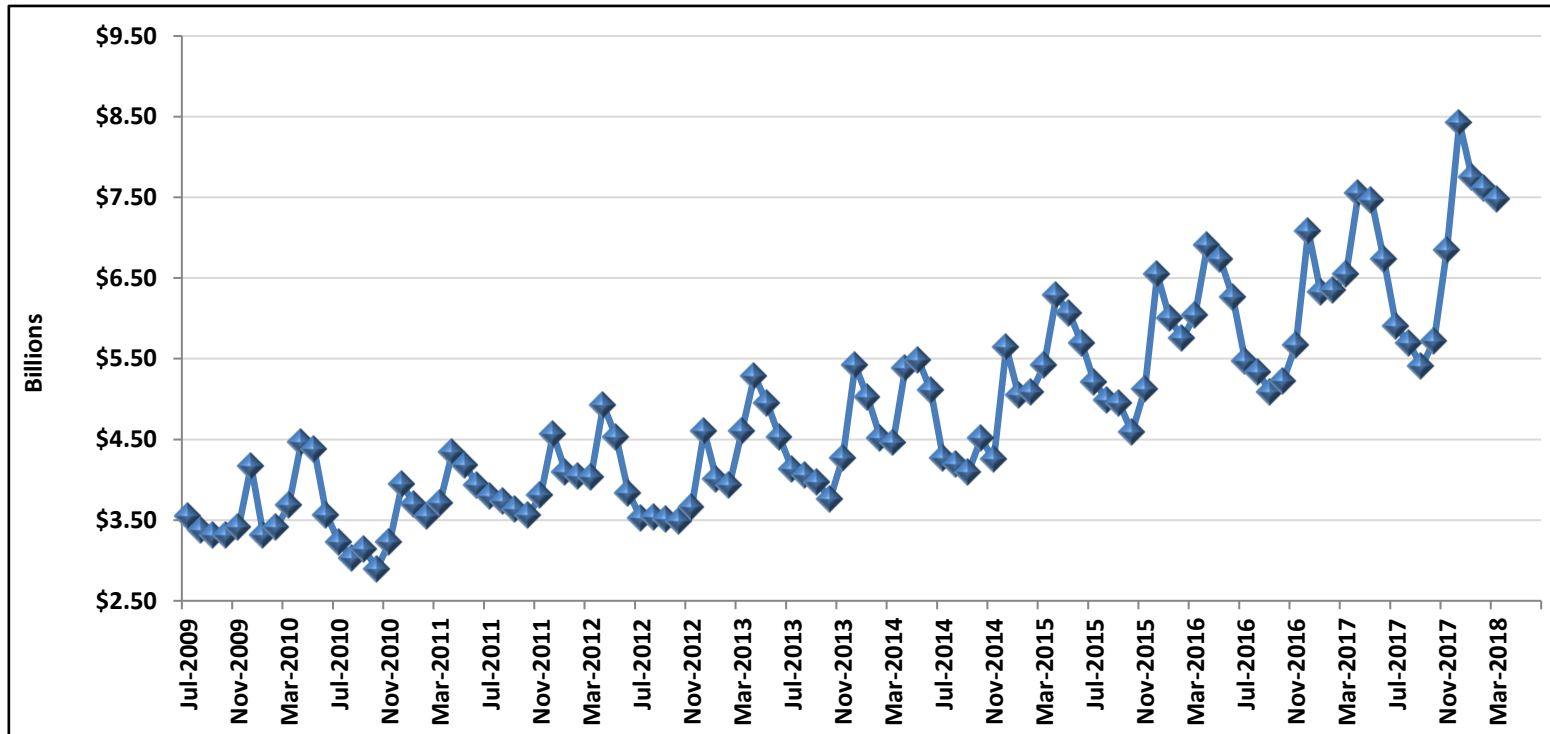




## Santa Clara County Commingled Pool

### Historical Month End Book Values

March 31, 2018



Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2010	\$3.541	\$3.373	\$3.307	\$3.307	\$3.408	\$4.175	\$3.307	\$3.408	\$3.687	\$4.463	\$4.384	\$3.536
FY 2011	\$3.230	\$3.032	\$3.143	\$2.898	\$3.227	\$3.943	\$3.695	\$3.551	\$3.712	\$4.339	\$4.179	\$3.935
FY 2012	\$3.801	\$3.736	\$3.637	\$3.555	\$3.805	\$4.567	\$4.097	\$4.040	\$4.032	\$4.926	\$4.525	\$3.833
FY 2013	\$3.508	\$3.517	\$3.515	\$3.469	\$3.645	\$4.600	\$3.918	\$3.982	\$4.606	\$5.286	\$4.952	\$4.521
FY 2014	\$4.133	\$4.052	\$3.975	\$3.758	\$4.271	\$5.419	\$5.019	\$4.520	\$4.461	\$5.386	\$5.487	\$5.108
FY 2015	\$4.267	\$4.194	\$4.096	\$4.051	\$4.247	\$5.639	\$5.045	\$5.085	\$5.420	\$6.284	\$6.065	\$5.690
FY 2016	\$5.212	\$4.990	\$4.941	\$4.587	\$5.120	\$6.543	\$5.997	\$5.752	\$6.040	\$6.911	\$6.728	\$6.263
FY 2017	\$5.469	\$5.328	\$5.088	\$5.220	\$5.671	\$7.082	\$6.319	\$6.348	\$6.550	\$7.556	\$7.469	\$6.730
FY 2018	\$5.898	\$5.689	\$5.408	\$5.720	\$6.850	\$8.427	\$7.754	\$7.608	\$7.472			

Amounts in billions

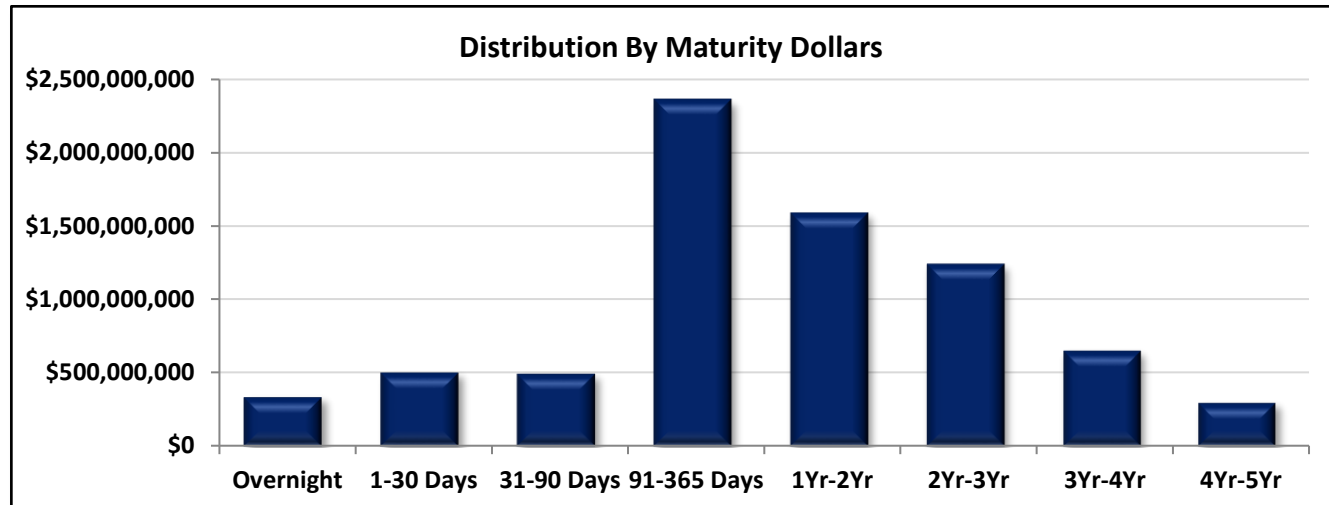


## Santa Clara County Commingled Pool

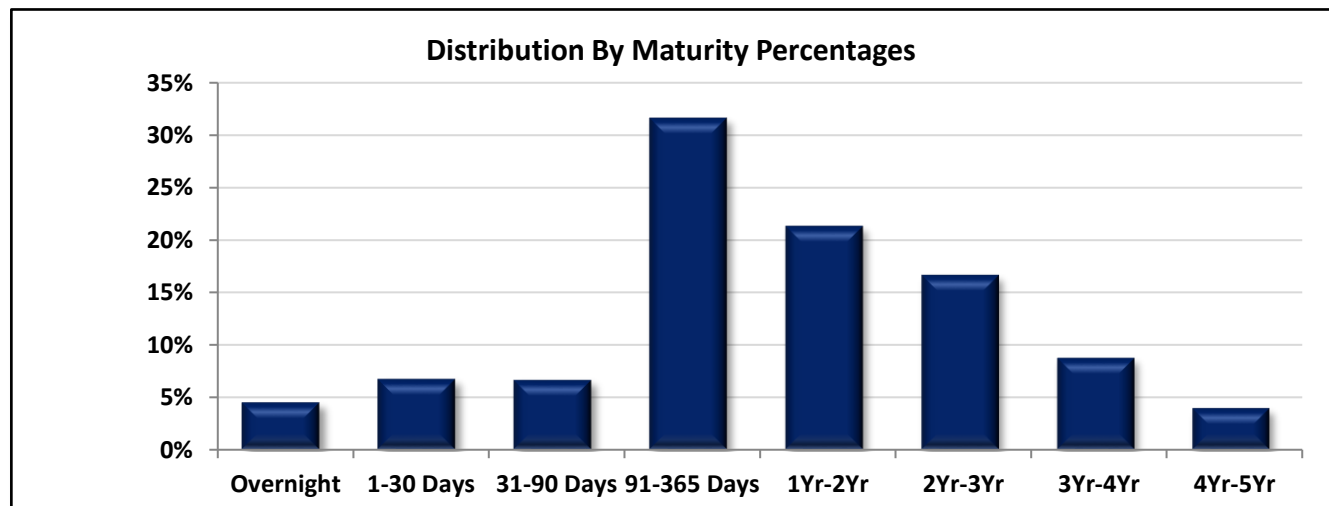
### Distribution by Maturity

March 31, 2018

Maturity	Amount*
Overnight	333,846,646
1-30 Days	501,989,812
31-90 Days	493,676,510
91-365 Days	2,361,061,244
1Yr-2Yr	1,591,496,274
2Yr-3Yr	1,243,563,544
3Yr-4Yr	651,614,890
4Yr-5Yr	294,792,683
	7,472,041,604



Maturity	Amount*
Overnight	4.47%
1-30 Days	6.72%
31-90 Days	6.61%
91-365 Days	31.60%
1Yr-2Yr	21.30%
2Yr-3Yr	16.64%
3Yr-4Yr	8.72%
4Yr-5Yr	3.95%
	100.00%



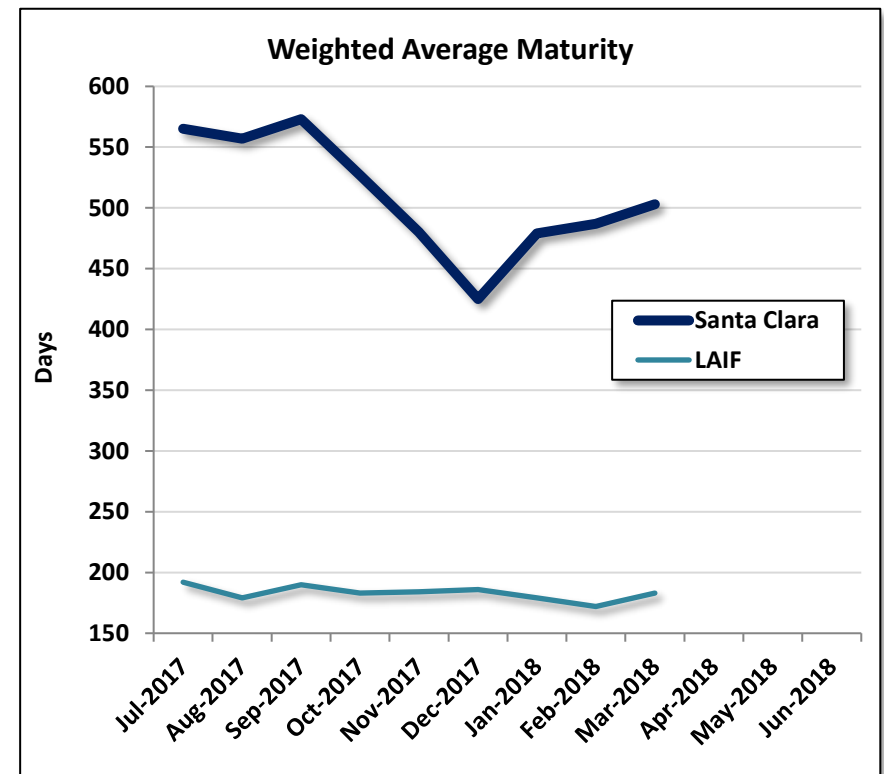
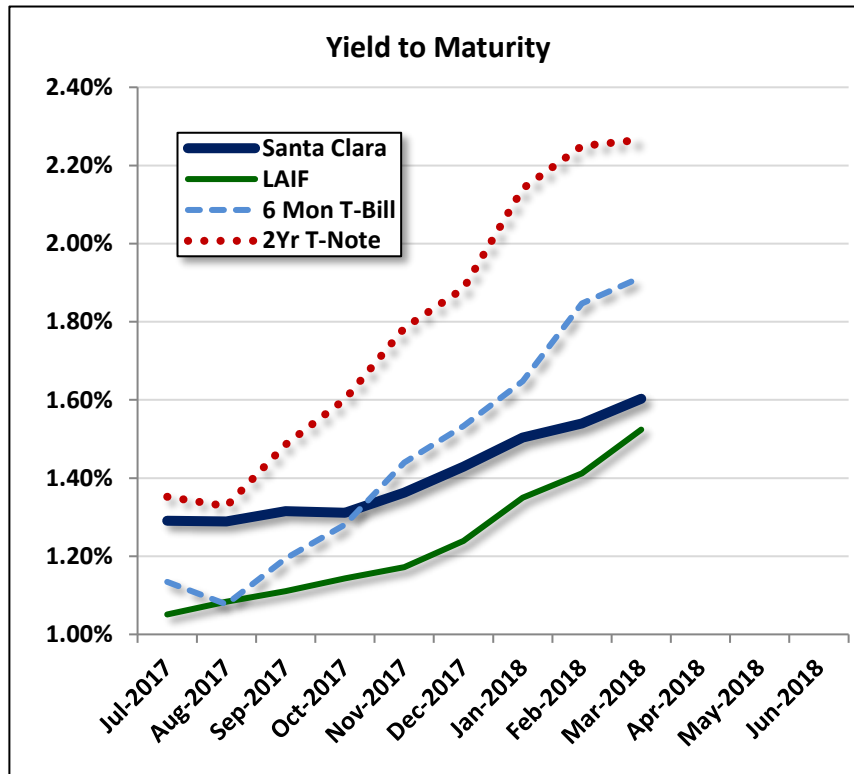
\*Amounts are based on book value



## Santa Clara County Commingled Pool

### Yield to Maturity and Weighted Average Maturity

March 31, 2018



Item	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
SCC YTM	1.29%	1.29%	1.32%	1.31%	1.36%	1.43%	1.50%	1.54%	1.60%			
LAIF YTM	1.05%	1.08%	1.11%	1.14%	1.17%	1.24%	1.35%	1.41%	1.52%			
6 Mon T-Bill	1.13%	1.08%	1.19%	1.28%	1.44%	1.53%	1.65%	1.85%	1.91%			
2Yr T-Note	1.35%	1.33%	1.49%	1.60%	1.78%	1.89%	2.14%	2.25%	2.27%			
SCC WAM	565	557	573	527	480	425	479	487	503			
LAIF WAM	192	179	190	183	184	186	179	172	183			

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**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Governing Board of the  
Campbell Union School District  
155 North Third Street  
Campbell, California 95008

**OPINION:**    \$24,000,000\* Campbell Union School District (Santa Clara County, California) 2018  
General Obligation Bonds (Series 2010G and Series 2016B Combined Issue)

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Members of the Board of Trustees:

We have acted as bond counsel to the Campbell Union School District (the “District”) in connection with the issuance by the District of \$24,000,000\* principal amount of Campbell Union School District (Santa Clara County, California) 2018 General Obligation Bonds (Series 2010G and Series 2016B Combined Issue) (the “Bonds”), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the “Act”), and a resolution adopted by the Governing Board of the District on June 7, 2018 (the “Resolution”). The Bonds are a combination of two issues of general obligation bonds of the District, its \$6,000,000 Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2010, Series G (2018), and its \$18,000,000 Campbell Union School District (Santa Clara County, California) General Obligation Bonds, Election of 2016, Series B (2018). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

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\* Preliminary, subject to change.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations for taxable years that began prior to January 1, 2018. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

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

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

Respectfully submitted,

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the CAMPBELL UNION SCHOOL DISTRICT (the “District”) in connection with the issuance by the District of its \$24,000,000 Campbell Union School District (Santa Clara County, California) 2018 General Obligation Bonds, (Series 2010G and Series 2016B Combined Issue) (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Governing Board of the District on June 7, 2018 (the “Resolution”). The District covenants and agrees as follows:

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

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

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

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

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

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

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

“*Participating Underwriter*” shall mean O’Connor & Company Securities, Inc., as the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

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

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

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which currently ends on June 30), commencing with the report for the 2017-18 Fiscal Year, which is due not later than March 31, 2019, file with EMMA, in a readable PDF

or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

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

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

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

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

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

- (i) The District's approved budget for the then current fiscal year;
- (ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and
- (iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

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



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

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

#### Section 5. Reporting of Listed Events.

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

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

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of

Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Bond Resolution.

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

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

Section 8. Dissemination Agent.

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

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

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

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

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

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

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

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

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Date: [Closing Date]

CAMPBELL UNION SCHOOL DISTRICT

By \_\_\_\_\_  
Authorized Officer

ACKNOWLEDGED:

PFM FINANCIAL ADVISORS, LLC, as  
Dissemination Agent

By \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Campbell Union School District

Name of Issue: Campbell Union School District (Santa Clara County, California) 2018 General  
Obligation Bonds, (Series 2010G and Series 2016B Combined Issue)

Date of Issuance: [Closing Date]

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

Dated: \_\_\_\_\_

PFM FINANCIAL ADVISORS, LLC, as  
Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

cc: Paying Agent

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## APPENDIX G

### BOOK-ENTRY SYSTEM

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in

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

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

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

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

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

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

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

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



securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

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

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

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