

NEW ISSUE—FULL BOOK-ENTRY

RATING: Moody's: "Aaa"
(See "MISCELLANEOUS—Rating" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

\$41,930,000

SAN MATEO UNION HIGH SCHOOL DISTRICT
(San Mateo County, California)
2017 General Obligation Refunding Bonds
(Federally Taxable)

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined will have the meanings assigned thereto as provided in the Official Statement.

The San Mateo Union High School District (San Mateo County, California) 2017 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds") are being issued by the San Mateo Union High School District (the "District") to (i) advance refund a portion of the District's outstanding Election of 2010 General Obligation Bonds, Series 2011A and (ii) pay the costs of issuing the Bonds.

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. See "THE BONDS – Book-Entry Only System" herein.

The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2018. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as further described herein. See "THE BONDS – Redemption" herein.

Maturity Schedule
(see inside front cover page)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about December 12, 2017.

STIFEL

Dated: November 14, 2017

MATURITY SCHEDULE

Base CUSIP^(†): 799017

\$41,930,000

SAN MATEO UNION HIGH SCHOOL DISTRICT
(San Mateo County, California)
2017 General Obligation Refunding Bonds
(Federally Taxable)

\$9,440,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP ^(†) Suffix
2018	\$520,000	1.687%	1.687%	UT3
2023	640,000	2.535	2.535	UU0
2024	770,000	2.655	2.655	UV8
2025	3,495,000	2.699	2.699	UW6
2026	1,365,000	2.829	2.829	UX4
2027	1,315,000	2.879	2.879	UY2
2028	1,335,000	2.979	2.979	UZ9

\$1,000,000 – 3.250% Term Bonds due September 1, 2035 – Yield 3.329% – CUSIP^(†) Suffix: VA3

\$31,490,000 – 3.500% Term Bonds due September 1, 2042 – Yield 3.641% – CUSIP^(†) Suffix: VB1

^(†) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the District, the Financial Advisor or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed 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.

SAN MATEO UNION HIGH SCHOOL DISTRICT

Board of Trustees

Peter H. Hanley, President
Linda Lees Dwyer, Vice President
Greg Land, Clerk
Marc Friedman, Trustee
Robert H. Griffin, Trustee

District Administration

Kevin Skelly, Ph.D., Superintendent
Elizabeth McManus, Deputy Superintendent, Business Services
Kirk Black, Ed.D., Deputy Superintendent, Human Resources and Instruction

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

Keygent LLC
El Segundo, California

Paying Agent, Transfer Agent and Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Escrow Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

\$41,930,000
SAN MATEO UNION HIGH SCHOOL DISTRICT
(San Mateo County, California)
2017 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the San Mateo Union High School District (San Mateo County, California) 2017 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds").

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

The District

The San Mateo Union High School District (the "District") is a basic aid district (as described herein) that includes the communities of Burlingame, Foster City, Hillsborough, Millbrae, San Bruno and San Mateo. The District operates six comprehensive high schools, a continuation high school and an adult school. The District has budgeted a fiscal year 2017-18 enrollment of 8,823 students, including special education and continuing education students, and an average daily attendance ("ADA") of 9,117 students. Over 6,000 adults are served through the adult school. The District serves a resident population of approximately 235,000 persons and has a fiscal year 2017-18 assessed valuation of \$72,683,797,998.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Kevin Skelly, Ph.D. is currently serving as the Superintendent of the District. See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "SAN MATEO UNION HIGH SCHOOL DISTRICT" herein for more information regarding the District generally.

Purpose of the Bonds

The Bonds are being issued by the District to (i) advance refund a portion of the District's outstanding Election of 2010 General Obligation Bonds, Series 2011A (the "2010 Series 2011A Bonds") and (ii) pay the costs of issuing the Bonds. The 2010 Series 2011A Bonds to be refunded with proceeds of the Bonds are referred to herein as the "Refunded Bonds."

Concurrently with the issuance of the Bonds, the District will enter into an escrow agreement (the "Escrow Agreement") with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"). Pursuant to the Escrow Agreement, the District will deposit the net proceeds of the Bonds into the Escrow Fund (as defined herein) held pursuant thereto, such proceeds to be used to purchase certain Federal Securities (as defined herein), the maturing principal of which, together with interest and earnings thereon, and any other proceeds of the Bonds held as cash, will be sufficient to pay the redemption price of the Refunded Bonds on September 1, 2021, such date being the first optional

redemption date therefor, as well as the interest due on the Refunded Bonds on and prior to such date. See “THE BONDS – Application and Investment of Bond Proceeds” herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to a resolution adopted by the Board. See “THE BONDS – Authority for Issuance” herein.

Security and Sources of Payment for the Bonds

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

For more complete information regarding the District’s financial condition and taxation of property within the District, see “THE BONDS – Security and Sources of Payment,” “SAN MATEO UNION HIGH SCHOOL DISTRICT” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons, and will mature on September 1 in the years indicated on the inside cover page hereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), who will act as securities depository for the Bonds. See “THE BONDS – General Provisions” and “THE BONDS – Book-Entry Only System” herein. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (as defined herein). See “THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds” herein.

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

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

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

Payments. The Bonds will be dated as of the date of their initial delivery (the “Date of Delivery”). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each March 1 and September 1, commencing March 1, 2018 (each, a “Bond Payment Date”). Principal of the Bonds is payable on September 1 of each year, as shown on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, bond registrar and transfer agent for the Bonds (the

“Paying Agent”), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the “State”) personal income tax. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about December 12, 2017.

Bond Owner’s Risks

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

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners 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 listed events, in order to assist the Underwriter (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure” herein and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El Segundo, California is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. The Bank of New York Mellon Trust Company, N.A. has been appointed as the Paying Agent with respect to the Bonds and Escrow Agent with respect to the Bonds and the Refunded Bonds. Certain matters are being passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. Causey Demgen & Moore P.C. is acting as Verification Agent (as defined herein) with respect to the Bonds and the Refunded Bonds.

Forward Looking Statements

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

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the San Mateo Union High School District, 650 North Delaware Street, San Mateo, California 94401, telephone: (650) 558-2299. The District may impose a charge for copying, mailing and handling.

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

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

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, and pursuant to a resolution adopted by the Board on October 26, 2017 (the "Resolution").

Security and Sources of Payment

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

Such ad valorem property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that such reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future. Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein), which is required to be segregated and maintained by the County and which is designated for the payment of the principal of and interest on the Bonds when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy ad valorem property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, none of the Bonds are a debt of the County.

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

The rate of the annual ad valorem property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

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

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

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See “—Book-Entry Only System” herein. Purchasers will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. See “THE BONDS – Book Entry Only System” herein. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing March 1, 2018. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before February 15, 2018, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof and mature on September 1, in the years and amounts set forth on the inside front cover hereof.

Payment. Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the close of business on the 15th day of the month immediately preceding such Bond Payment Date (the “Record Date”), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds.

Annual Debt Service

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

ANNUAL DEBT SERVICE

Period Ending September 1	Annual Principal Payment	Annual Interest Payment ⁽¹⁾	Total Annual Debt Service
2018	\$520,000.00	\$1,000,505.70	\$1,520,505.70
2019	—	1,381,891.90	1,381,891.90
2020	—	1,381,891.90	1,381,891.90
2021	—	1,381,891.90	1,381,891.90
2022	—	1,381,891.90	1,381,891.90
2023	640,000.00	1,381,891.90	2,021,891.90
2024	770,000.00	1,365,667.90	2,135,667.90
2025	3,495,000.00	1,345,224.40	4,840,224.40
2026	1,365,000.00	1,250,894.36	2,615,894.36
2027	1,315,000.00	1,212,278.50	2,527,278.50
2028	1,495,000.00	1,174,419.66	2,669,419.66
2029	110,000.00	1,129,450.00	1,239,450.00
2030	110,000.00	1,125,875.00	1,235,875.00
2031	115,000.00	1,122,300.00	1,237,300.00
2032	120,000.00	1,118,562.50	1,238,562.50
2033	125,000.00	1,114,662.50	1,239,662.50
2034	130,000.00	1,110,600.00	1,240,600.00
2035	130,000.00	1,106,375.00	1,236,375.00
2036	135,000.00	1,102,150.00	1,237,150.00
2037	140,000.00	1,097,425.00	1,237,425.00
2038	145,000.00	1,092,525.00	1,237,525.00
2039	150,000.00	1,087,450.00	1,237,450.00
2040	155,000.00	1,082,200.00	1,237,200.00
2041	5,035,000.00	1,076,775.00	6,111,775.00
2042	25,730,000.00	900,550.00	26,630,550.00
Totals	<u>\$41,930,000.00</u>	<u>\$29,525,350.02</u>	<u>\$71,455,350.02</u>

⁽¹⁾ Interest payments on the Bonds will be made semiannually on March 1 and September 1 of each year, commencing March 1, 2018.

See “SAN MATEO UNION HIGH SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a complete debt service schedule of all of the District’s outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued by the District to (i) advance refund the Refunded Bonds and (ii) pay the costs of issuing the Bonds. The Refunded Bonds to be refunded and the 2010 Series 2011A Bonds to remain outstanding and unrefunded (the "Unrefunded Bonds") are listed in the table below and on the following page.

REFUNDED BONDS San Mateo Union High School District

Current Interest Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>CUSIP</u> [†]	<u>Principal</u> <u>Amount</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Principal Amount)</u>
2042	799017SY5	\$30,510,000.00	9/1/2021	100%

Capital Appreciation Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>CUSIP</u> [†]	<u>Denominational</u> <u>Amount</u>	<u>Accreted Value</u> <u>to be</u> <u>Refunded</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Accreted Value)</u>
2023	799017QQ4	\$409,534.50	\$705,644.35	9/1/2021	100%
2024	799017QR2	421,589.75	754,368.65	9/1/2021	100
2025	799017QS0	1,549,656.00	2,839,644.00	9/1/2021	100
2026	799017QT8	544,341.00	1,016,439.00	9/1/2021	100
2027	799017QU5	471,933.60	889,106.70	9/1/2021	100
2028	799017QV3	484,355.30	920,691.20	9/1/2021	100

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[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CGS, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. None of the Underwriter, the Financial Advisor or the District is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds and Refunded Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed 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 and Refunded Bonds.

UNREFUNDED BONDS
San Mateo Union High School District

Capital Appreciation Bonds

<u>Maturity Date (September 1)</u>	<u>CUSIP[†]</u>	<u>Denominational Amount</u>	<u>Maturity Value</u>
2018	799017GG7	\$190,236.00	\$300,000.00
2019	799017GH5	235,143.50	395,000.00
2020	799017GJ1	276,635.70	495,000.00
2021	799017GK8	314,790.00	600,000.00
2022	799017QP6	385,142.80	670,000.00

Convertible Capital Appreciation Bonds

<u>Maturity Date (September 1)</u>	<u>CUSIP[†]</u>	<u>Denominational Amount</u>	<u>Conversion Value</u>
2033	799017GT9	\$8,115,228.00	\$24,200,000.00
2041	799017GU6	41,736,993.30	129,755,000.00

Escrow Fund. The net proceeds from the sale of the Bonds will be deposited with the Escrow Agent, to the credit of the "San Mateo Union High School District 2017 General Obligation Refunding Bonds (Federally Taxable) Escrow Fund" (the "Escrow Fund"). Pursuant to the Escrow Agreement, the amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the "Federal Securities"), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded Bonds on September 1, 2021, such date being the first optional redemption date therefor, as well as the interest due on the Refunded Bonds on and prior to such date. Amounts deposited into the Escrow Fund under the Escrow Agreement are not available to pay any other obligations of the District.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to refund the Refunded Bonds as described above will be verified by Causey Demgen & Moore P.C., as the verification agent (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the obligation of the County to levy ad valorem property taxes for payment of the Refunded Bonds will terminate. See "LEGAL MATTERS – Escrow Verification" herein.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CGS, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. None of the Underwriter, the Financial Advisor or the District is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds and Refunded Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed 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 and Refunded Bonds.

Debt Service Fund. Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds will be transferred to and accounted for in the fund designated as the “San Mateo Union High School District 2017 General Obligation Refunding Bonds (Federally Taxable) Debt Service Fund” (the “Debt Service Fund”) and used by the District only for payment of principal of and interest on the Bonds and for no other purpose. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued will be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. Pursuant to the Resolution, the District has pledged monies on deposit in the Debt Service Fund to the payment of the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District.

Investment of Proceeds. Funds on deposit in the Escrow Fund will be invested as described above. Moneys in the Debt Service Fund are expected to be invested through the County’s pooled investment fund. See “APPENDIX E –SAN MATEO COUNTY TREASURY POOL” attached hereto.

Redemption

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

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2035 (the “2035 Term Bonds”), are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 2028, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such 2035 Term Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2028	\$160,000
2029	110,000
2030	110,000
2031	115,000
2032	120,000
2033	125,000
2034	130,000
2035 ⁽¹⁾	130,000

⁽¹⁾ Maturity.

In the event that a portion of the 2035 Term Bonds is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such 2035 Term Bonds optionally redeemed.

The Bonds maturing on September 1, 2042 (the "2042 Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, 2036, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such 2042 Term Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2036	\$135,000
2037	140,000
2038	145,000
2039	150,000
2040	155,000
2041	5,035,000
2042 ⁽¹⁾	25,730,000

⁽¹⁾ Maturity.

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

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

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

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

Notice to such other persons as may otherwise be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

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

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

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds (or portions thereof) shall be deemed to have been defeased as described in "—Defeasance" herein, such notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will, within a reasonable time thereafter (but in no event later than the date originally set for redemption), give notice to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice by written notice to the Paying Agent on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such Redemption Notice was originally provided.

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

Effect of Notice of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "—Defeasance" herein, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust, so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become

payable. All money held for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

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

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of principal of, or interest or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

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. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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," and together with the Direct Participants, the "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.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying

Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

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

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

The principal of the Bonds and any interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount upon presentation and surrender at the designated 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 designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new bond or bonds of like series and tenor, and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on

the Bond Payment Date or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon, and redemption premium, if any) at or before their maturity date; or

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	\$41,930,000.00
Net Original Issue Discount	<u>(731,671.00)</u>
Total Sources	<u>\$41,198,329.00</u>
Uses of Funds	
Escrow Fund	\$40,877,099.36
Costs of Issuance ⁽¹⁾	203,825.64
Underwriting Discount	<u>117,404.00</u>
Total Uses	<u>\$41,198,329.00</u>

⁽¹⁾ A portion of the proceeds of the Bonds will be used to pay costs of issuance thereof, including, but not limited to, legal fees, financial advisory fees, printing costs, rating agency fees, the costs and fees of the Paying Agent, Escrow Agent and Verification Agent, and other costs of issuance of the Bonds.

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

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

penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

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

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

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

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts (as defined herein) share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2017-18 of \$72,683,797,998. The following table shows the 23-year history of assessed valuations in the District.

ASSESSED VALUATIONS Fiscal Year 1995-96 through 2017-18 San Mateo Union High School District

<u>Fiscal Year</u>	<u>Secured⁽¹⁾</u>	<u>Utility⁽¹⁾</u>	<u>Unsecured⁽¹⁾</u>	<u>Total⁽¹⁾</u>	<u>Total Annual % Change⁽²⁾</u>
1995-96	\$17,679,436,217	\$20,538,883	\$4,095,063,562	\$21,795,038,662	—
1996-97	18,107,318,191	20,091,716	4,159,763,848	22,287,173,755	2.26%
1997-98	19,029,721,975	21,221,790	4,266,428,456	23,317,372,221	4.62
1998-99	20,611,637,069	22,913,821	4,526,641,684	25,161,192,574	7.91
1999-00	22,455,767,016	14,654,486	4,771,717,296	27,242,138,798	8.27
2000-01	24,833,074,728	13,149,133	5,284,733,682	30,130,957,543	10.60
2001-02	27,551,895,797	29,479,595	5,741,574,397	33,322,949,789	10.59
2002-03	29,487,509,786	28,799,960	5,625,691,013	35,142,000,759	5.46
2003-04	31,015,428,037	18,303,539	5,333,781,898	36,367,513,474	3.49
2004-05	32,864,327,254	12,971,290	4,478,498,907	37,355,797,451	2.72
2005-06	35,359,549,459	12,558,782	4,174,921,429	39,547,029,670	5.87
2006-07	38,680,079,503	11,724,762	4,045,523,909	42,737,328,174	8.07
2007-08	41,685,629,380	7,819,752	4,079,309,837	45,772,758,969	7.10
2008-09	44,604,612,133	7,819,740	4,402,989,841	49,015,421,714	7.08
2009-10	45,133,729,639	7,819,718	4,815,177,206	49,956,726,563	1.92
2010-11	44,754,179,355	7,662,973	3,750,922,212	48,512,764,540	(2.89)
2011-12	45,236,955,155	3,454,955	3,977,828,115	49,218,238,225	1.45
2012-13	46,711,026,625	6,900,384	4,456,777,659	51,174,704,668	3.98
2013-14	49,987,671,451	7,745,949	4,546,979,354	54,542,396,754	6.58
2014-15	53,274,887,560	6,845,901	4,751,989,828	58,033,723,289	6.40
2015-16	57,571,265,019	8,601,507	4,962,270,118	62,542,136,644	7.77
2016-17	62,281,301,233	5,979,082	4,994,115,792	67,281,396,107	7.58
2017-18	66,952,947,799	5,979,051	5,724,871,148	72,683,797,998	8.03

⁽¹⁾ Source: California Municipal Statistics, Inc.

⁽²⁾ Calculated based on information provided by California Municipal Statistics, Inc.

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

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

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

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

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

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

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

Assessed Valuations and Parcels by Land Use

The following table shows an analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2017-18 local secured assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2017-18

San Mateo Union High School District

	<u>2017-18 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>	<u>No. of Taxable Parcels</u>	<u>% Total</u>
Non-Residential:						
Agricultural/Rural	\$10,851,748	0.02%	11	0.02%	6	0.01%
Commercial/Office Building	9,010,271,804	13.46	2,673	3.68	2,656	3.73
Industrial	1925,874,276	2.88	577	0.79	571	0.80
Recreational	195,505,764	0.29	569	0.78	400	0.56
Government/Social/Institutional	220,572,466	0.33	390	0.54	235	0.33
Miscellaneous	124,430,506	0.19	458	0.63	326	0.46
Subtotal Non-Residential	\$11,487,506,564	17.16%	4,678	6.44%	4,194	5.89%
Residential:						
Single Family Residence	\$40,695,947,062	60.78%	49,783	68.50%	49,764	69.83%
Condominium/Townhouse	5,843,542,018	8.73	11,732	16.14	11,717	16.44
Hotel/Motel	1,153,719,031	1.72	66	0.09	66	0.09
2-4 Residential Units	1,989,846,889	2.97	2,833	3.90	2,831	3.97
5+ Residential Units/Apartments	5,204,012,563	7.77	2,345	3.23	2,192	3.08
Miscellaneous Residential	133,526,485	0.20	555	0.76	239	0.34
Subtotal Residential	\$55,020,594,048	82.18%	67,314	92.62%	66,809	93.75%
Vacant Parcels	\$444,847,187	0.66%	682	0.94%	262	0.37%
Total	\$66,952,947,799	100.00%	72,674	100.00%	71,265	100.00%

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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Assessed Valuations by J urisdiction

The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2017-18 assessed valuation.

ASSESSED VALUATION BY JURISDICTION

Fiscal Year 2017-18

San Mateo Union High School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Burlingame	\$10,356,947,660	14.25%	\$10,356,947,660	100.00%
City of Foster City	10,140,191,767	13.95	10,152,765,762	99.88
Town of Hillsborough	9,678,343,545	13.32	9,678,343,545	100.00
City of Millbrae	5,245,104,979	7.22	5,245,104,979	100.00
City of San Bruno	7,131,369,347	9.81	7,347,699,558	97.06
City of San Mateo	24,098,251,686	33.15	24,653,264,172	97.75
Unincorporated San Mateo County	6,033,589,014	8.30	20,527,478,767	29.39
Total District	\$72,683,797,998	100.00%		
San Mateo County	\$72,683,797,998	100.00%	\$206,921,709,423	35.13%

Source: California Municipal Statistics, Inc.

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Assessed Valuation Per Parcel of Single Family Homes

The following table shows the assessed valuation per parcel of single family homes in the District for fiscal year 2017-18, including the average and median assessed value per parcel.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES

Fiscal Year 2017-18

San Mateo Union High School District

Single Family Residential	No. of Parcels 49,764	2017-18 Assessed Valuation \$40,695,947,062		Average Assessed Valuation \$817,779	Median Assessed Valuation \$607,144	
2017-18 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	2,679	5.383%	5.383%	\$223,974,280	0.550%	0.550%
100,000 - 199,999	6,825	13.715	19.098	950,862,037	2.337	2.887
200,000 - 299,999	3,653	7.341	26.439	914,854,708	2.248	5.135
300,000 - 399,999	4,036	8.110	34.549	1,413,103,480	3.472	8.607
400,000 - 499,999	3,831	7.698	42.247	1,724,772,361	4.238	12.845
500,000 - 599,999	3,622	7.278	49.526	1,990,866,183	4.892	17.737
600,000 - 699,999	3,440	6.913	56.438	2,233,564,983	5.488	23.226
700,000 - 799,999	3,247	6.525	62.963	2,433,406,219	5.979	29.205
800,000 - 899,999	3,027	6.083	69.046	2,573,331,578	6.323	35.529
900,000 - 999,999	2,611	5.247	74.293	2,474,655,939	6.081	41.610
1,000,000 - 1,099,999	2,004	4.027	78.320	2,096,382,422	5.151	46.761
1,100,000 - 1,199,999	1,516	3.046	81.366	1,739,912,679	4.275	51.036
1,200,000 - 1,299,999	1,249	2.510	83.876	1,558,694,681	3.830	54.866
1,300,000 - 1,399,999	1,178	2.367	86.243	1,588,761,171	3.904	58.770
1,400,000 - 1,499,999	905	1.819	88.062	1,309,266,366	3.217	61.988
1,500,000 - 1,599,999	767	1.541	89.603	1,184,128,875	2.910	64.897
1,600,000 - 1,699,999	634	1.274	90.877	1,044,388,723	2.566	67.464
1,700,000 - 1,799,999	514	1.033	91.910	899,504,772	2.210	69.674
1,800,000 - 1,899,999	414	0.832	92.742	764,758,104	1.879	71.553
1,900,000 - 1,999,999	374	0.752	93.493	728,972,522	1.791	73.344
2,000,000 and greater	3,238	6.507	100.000	10,847,784,979	26.656	100.000
Total	49,764	100.000%		\$40,695,947,062	100.000%	

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

Tax Levies, Collections and Delinquencies

The County levies and collects all property taxes for property falling within the County's taxing boundaries. The annual secured tax levies and delinquencies for the District for fiscal years 2007-08 through 2016-17 are shown below.

SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2007-08 through 2016-17 San Mateo Union High School District

	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2007-08	\$6,206,833.08	\$121,382.46	1.96%
2008-09	13,202,321.85	287,056.55	2.17
2009-10	14,237,849.19	253,786.33	1.78
2010-11	14,298,516.62	160,294.55	1.12
2011-12	17,194,796.78	148,882.84	0.87
2012-13	17,675,340.87	116,473.26	0.66
2013-14	17,654,560.60	87,457.64	0.50
2014-15	25,184,725.42	141,263.34	0.56
2015-16	26,701,180.50	114,116.94	0.43
2016-17	25,746,290.38	146,681.45	0.57

⁽¹⁾ Reflects taxes collected by the County within the District for the repayment of the District's general obligation bonds.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – "Teeter Plan"

Under 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 State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The Board of Supervisors of the County has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County funds the District its full secured property tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments when the late taxes are collected. The County includes the District's 1% general purpose secured property tax levy and the ad valorem property tax levy for the District's general obligation bonds, including the Bonds, under the Teeter Plan.

Typical Tax Rates

The following table summarizes the total ad valorem property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the City of San Mateo portion of the District during the period from fiscal years 2013-14 through 2017-18.

SUMMARY OF AD VALOREM TAX RATES (TRA 12-001)⁽¹⁾ Fiscal Years 2013-14 through 2017-18 San Mateo Union High School District

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of San Mateo Bond	.0105	.0105	.0102	.0090	.0084
San Mateo-Foster City School District Bond	.0421	.0388	.0402	.0546	.0542
San Mateo Union High School District Bond	.0355	.0475	.0466	.0415	.0433
San Mateo Community College District Bond	<u>.0194</u>	<u>.0190</u>	<u>.0250</u>	<u>.0247</u>	<u>.0235</u>
Total	1.1075%	1.1158%	1.1220%	1.1298%	1.1294%

⁽¹⁾ The fiscal year 2017-18 assessed valuation of TRA 12-001 is \$19,579,539,911.
Source: California Municipal Statistics, Inc.

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Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2017-18 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

20 LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2017-18 San Mateo Union High School District

Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total ⁽¹⁾
1. Gilead Sciences Inc.	Industrial	\$1,590,023,027	2.37%
2. Google Inc.	Office Building	397,354,720	0.59
3. Hudson Metro Center LLC, Lessee	Office Building	328,954,534	0.49
4. Franklin Templeton Corporate Services Inc.	Office Building	270,384,116	0.40
5. Visa USA Inc.	Office Building	221,827,851	0.33
6. HMC Burlingame Hotels LLC	Hotel	220,369,212	0.33
7. BMR Lincoln Center LP	Industrial	217,468,000	0.32
8. TR Parkside Towers Corp.	Office Building	216,542,954	0.32
9. Hudson Peninsula Office Park LLC	Office Building	215,509,474	0.32
10. ASN Bay Meadows I LLC & Bay Meadows II LLC	Apartments	207,651,149	0.31
11. BEX FMCA LLC	Apartments	185,317,217	0.28
12. RAR2 Clearview	Office Building	183,908,793	0.27
13. HSC Holdings	Shopping Center	181,004,052	0.27
14. Hospitality Investment LLC, Lessee	Hotel	169,000,000	0.25
15. Sobrato Interests III, Lessee	Office Building	163,342,282	0.24
16. Shops at Tanforan Associates LLC	Shopping Center	157,753,229	0.24
17. ASN Tanforan Crossing I & II LLC	Apartments	147,750,420	0.22
18. SF Hillsdale 20102012 LLC	Apartments	146,105,118	0.22
19. Fashion Island Owner LLC	Office Building	142,000,000	0.21
20. Carolands Foundation	Residential	137,952,970	0.21
		<u>\$5,500,219,118</u>	<u>8.22%</u>

⁽¹⁾ The fiscal year 2017-18 local secured assessed valuation of the District is \$66,952,947,799.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of November 1, 2017 for debt issued as of October 25, 2017. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are

they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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

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

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
San Mateo Union High School District

2017-18 Assessed Valuation: \$72,683,797,998

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/17</u>
San Mateo Community College District	35.126%	\$202,474,718
San Mateo Union High School District	100.000	518,011,401 ⁽¹⁾
Burlingame School District	100.000	124,377,486
Hillsborough School District	100.000	69,062,002
Millbrae School District	100.000	54,794,527
San Bruno Park School District	100.000	8,127,510
San Mateo-Foster City School District	100.000	280,985,876
City of Millbrae	100.000	8,780,000
City of San Mateo	97.749	21,143,109
City of San Mateo Community Facilities District No. 2008-I	100.000	85,380,000
Midpeninsula Regional Open Space Park District	0.005	2,168
California Statewide Community Development Authority Assessment District 1915 Act Bonds	100.000	2,723,768
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,375,862,565
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Mateo County General Fund Obligations	35.126%	\$134,968,872
San Mateo County Board of Education Certificates of Participation	35.126	3,277,256
San Mateo County Flood Control District Certificates of Participation	5.488	958,479
Burlingame School District General Fund Obligations	100.000	7,353,821
San Bruno Park School District Lease Revenue Bonds	100.000	3,475,000
City of Burlingame Certificates of Participation	100.000	13,350,000
City of Burlingame Pension Obligation Bonds	100.000	12,145,000
City of Millbrae Pension Obligation Bonds	100.000	6,022,265
City of San Bruno Pension Obligation Bonds	97.056	9,365,904
City of San Mateo General Fund Obligations	97.749	31,206,368
Midpeninsula Regional Open Space Park General Fund Obligations	0.005	5,365
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$222,128,330
Less: City of Burlingame General Fund and Pension Obligations supported by enterprise revenues		(5,861,050)
City of San Mateo supported by enterprise revenues		(6,163,074)
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$210,104,206
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Millbrae Redevelopment Agency	100.000%	\$6,080,000
Successor Agency to San Bruno Redevelopment Agency	100.000	6,310,000
Successor Agency to San Mateo Redevelopment Agency	100.000	57,885,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$70,275,000
GROSS COMBINED TOTAL DEBT		\$1,668,265,895⁽²⁾
NET COMBINED TOTAL DEBT		\$1,656,241,771

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$518,011,401)	0.71%
Total Direct and Overlapping Tax and Assessment Debt	1.89%
Gross Combined Total Debt	2.30%
Net Combined Total Debt	2.28%

Ratios to Redevelopment Incremental Assessed Valuation (\$4,401,901,401):

Total Overlapping Tax Increment Debt	1.60%
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⁽¹⁾ Excludes the Bonds and includes the Refunded Bonds described herein.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIII A of the California Constitution

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

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

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

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

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

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

Article XIII B of the California Constitution

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

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in State per capita income from the preceding year, and

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

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution

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

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

construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Propositions 98 and 111

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

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 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 State 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 State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in the State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election would not exceed \$60 (for a unified school district), \$30 (for an elementary or high school district, such as the District), or \$25 (for a community college district) when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of

Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See “–Article XIII A of the California Constitution” herein.

Proposition 1A and Proposition 22

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

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

Jarvis vs. Connell

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

employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Propositions 30 and 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “– Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

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

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

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

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

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

The District can make no representation or guarantee that it will either pursue or qualify for Proposition 51 facilities funding from the State.

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

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The following table reflects the District's historical ADA, the revenue limit rates per unit of ADA, and enrollment for fiscal years 2003-04 through 2012-13.

AVERAGE DAILY ATTENDANCE, REVENUE LIMIT AND ENROLLMENT
Fiscal Years 2003-04 through 2012-13
San Mateo Union High School District

<u>Fiscal Year</u>	<u>ADA⁽¹⁾</u>	<u>Revenue Limit Per ADA⁽²⁾</u>	<u>Enrollment⁽³⁾</u>
2003-04	8,038	\$5,680.60	8,250
2004-05	7,992	5,817.14	8,351
2005-06	8,139	6,060.13	8,502
2006-07	8,089	6,416.60	8,605
2007-08	8,128	6,706.59	8,626
2008-09	8,128	7,385.60	8,549
2009-10	8,015	7,385.60	8,478
2010-11	8,095	7,356.60	8,434
2011-12	7,925	7,520.60	8,193
2012-13	7,862	7,763.60	8,191

Note: All amounts are rounded to the nearest whole number.

(1) 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. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Includes ADA in County operated programs.

(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 (as defined herein). After applying the deficit factor, the funded base revenue limit for fiscal years 2008-09, 2009-10, 2010-11, and 2011-12 were: \$6,029.97; \$6,035.13; \$5,971.21; \$6,034.49, and \$6,133.98. See also "Basic Aid Districts" herein.

(3) Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
Source: San Mateo Union High School District

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

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations are provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF,

the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See “—State Budget Measures” herein for information on the adjusted Base Grants provided by current State budgetary legislation.

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

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

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The following table shows the District's ADA, enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2016-17 and budgeted amounts for fiscal year 2017-18.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2017-18
San Mateo Union High School District

Fiscal Year	ADA ⁽¹⁾	Enrollment ⁽²⁾	% of EL/LI Enrollment ⁽²⁾
2013-14	7,873	8,194	26.34%
2014-15	7,992	8,227	23.28
2015-16	8,224	8,360	26.04
2016-17	8,342	8,690	25.21
2017-18 ⁽³⁾	8,823	9,117	23.95

⁽¹⁾ Reflects P-2 ADA.

⁽²⁾ Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. CALPADS figures generally exclude preschool and adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is 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 is 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 is 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.

⁽³⁾ Budgeted.

Source: San Mateo Union High School District.

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

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

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

primary determinants. The District currently qualifies as a basic aid district and expects to remain a basic aid district after the LCFF is fully implemented. For fiscal year 2016-17, the District's local property tax receipts exceeded the District's total LCFF allocation by approximately \$48.4 million (unaudited) and the District has budgeted that local property tax receipts will exceed the District's total LCFF allocation by approximately \$47.4 million in fiscal year 2017-18.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

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

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

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student

outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as interest earnings, interagency services, Developer Fees (as discussed herein), Pass-Through Revenues (as discussed herein) and other local sources.

Developer Fees. The District currently levies impact fees (the "Developer Fees") on residential development within the District. The Developer Fees are accounted for within the District's Deferred Maintenance Fund. For fiscal years 2012-13, 2013-14, 2014-15, 2015-16, and 2016-17, the District received \$1,069,077, \$1,342,811, \$1,146,469, \$1,375,010, and \$1,105,685 (unaudited), respectively, and the District has budgeted receipt of \$1,005,000 in Developer Fees in fiscal year 2017-18.

Pass-Through Revenues. The District has historically received pass-through tax increment revenue (the "Pass-Through Revenues") from the Foster City Community Development Agency, the Millbrae Redevelopment Agency, the San Bruno Redevelopment Agency, and the Redevelopment Agency of the City of San Mateo. The Pass-Through Revenues received by the District are deposited into the District's general fund. For fiscal years 2012-13, 2013-14, 2014-15, 2015-16, and 2016-17, the District received \$2,497,290, \$3,809,616, \$2,677,392, \$3,098,125, and \$3,386,915 (unaudited) respectively, and the District has budgeted receipt of \$1,600,000 in Pass-Through Revenues in fiscal year 2017-18.

The District can make no representations that Pass-Through Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the legislation eliminating redevelopment agencies. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Proposition 1A and Proposition 22" herein. The Bonds, however, are not payable from such revenue. The Bonds will be payable solely from the proceeds of an ad valorem property tax which is required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS - Security and Sources of Payment" herein.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos (“Matosantos”), finding ABX 1 26, a trailer bill to the 2011–12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABX 1 27, a companion bill to ABX 1 26, violated the State Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. ABX 1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

ABX 1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011–12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the State Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities, including the District. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX 1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX 1 26 using current assessed values and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which any apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies or any other surplus property tax revenues pursuant to the Dissolution Act.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The 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. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's

recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

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

Interim Financial Reporting. 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 current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools. The Board approved a "self-qualified" certification on its First and Second Interim Financial Reports in fiscal year 2006-07 pursuant to AB 1200. In its next interim financial report, and for all reporting periods thereafter, the District has reported a "positive" certification.

General Fund Budgeting Trends. The table on the following page summarizes the District's combined restricted and unrestricted general fund budgets for fiscal years 2013-14 through 2017-18, audited ending results for fiscal years 2013-14 through 2015-16, and unaudited ending results for fiscal year 2016-17.

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GENERAL FUND BUDGETING
Fiscal Years 2013-14 through 2017-18
San Mateo Union High School District

	Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18
	Adopted Budget ⁽¹⁾	Audited Actuals ⁽¹⁾	Adopted Budget ⁽¹⁾	Audited Actuals ⁽¹⁾	Adopted Budget ⁽¹⁾⁽²⁾	Audited Actuals ⁽¹⁾⁽²⁾	Adopted Budget ⁽³⁾	Unaudited Actuals ⁽⁴⁾	Adopted Budget ⁽⁴⁾
REVENUES									
LCFF Sources:									
Federal	\$99,574,617	\$108,642,201	\$111,071,286	\$110,952,985	\$115,684,588	\$120,851,140	\$126,510,398	\$130,593,649	\$135,116,577
Other State	2,346,802	2,242,122	2,326,523	2,472,604	2,433,966	2,505,830	2,405,370	2,584,464	2,510,832
Other Local	5,614,098	2,886,027	3,052,153	4,772,030	6,765,929	11,569,667	8,581,684	9,815,246	9,498,976
TOTAL	5,673,385	8,333,460	5,215,237	8,801,748	5,527,628	6,001,637	6,156,850	6,495,855	5,428,983
	113,208,900	122,103,810	121,665,199	126,999,367	130,412,111	140,928,274	143,654,294	149,489,215	152,555,368
EXPENDITURES:									
Current:									
Certificated Salaries	49,905,655	49,955,951	53,288,885	52,692,320	56,500,058	55,944,002	59,669,303	59,636,214	62,310,429
Classified Salaries	17,885,166	18,703,320	19,988,169	20,435,241	21,995,065	22,237,346	25,517,321	25,541,967	25,931,941
Employee Benefits	23,616,239	21,272,008	24,693,053	23,047,046	26,635,509	28,296,053	34,207,616	32,679,247	37,074,491
Books & Supplies	4,338,171	7,082,764	4,570,541	6,731,436	4,712,619	7,947,310	5,180,199	7,157,738	6,752,172
Services/Other Operating Expenditures	13,004,785	13,907,289	13,491,896	14,435,565	15,552,045	18,733,454	16,889,123	16,403,753	16,380,869
Transfers of Indirect/Direct Support Costs	(278,696)	(290,692)	(278,696)	(284,268)	—	—	(87,201)	(94,168)	(87,201)
Capital Outlay	—	141,797	—	446,943	—	523,403	150,000	536,158	150,000
Other Outgo/Intergovernmental Transfers	3,177,425	3,947,739	4,540,582	4,611,028	4,831,857	3,828,269	4,528,248	3,577,830	4,325,917
TOTAL	111,648,745	114,720,176	120,294,430	122,115,311	130,227,153	137,509,837	146,054,608	145,438,739	152,838,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,560,155	7,383,634	1,370,769	4,884,056	184,958	3,418,437	(2,400,313)	4,050,476	(283,250)
OTHER FINANCING SOURCES (USES):									
Transfers In	—	—	—	—	—	440,014	—	—	—
Transfers Out ⁽⁵⁾	(5,575,000)	(7,386,084)	(5,600,000)	(3,490,432)	(1,950,000)	(3,590,014)	(1,950,000)	(3,425,000)	(2,807,509)
TOTAL	(5,575,000)	(7,386,084)	(5,600,000)	(3,490,432)	(1,950,000)	(3,150,000)	(1,950,000)	(3,425,000)	(2,807,509)
NET INCREASE (DECREASE) IN FUND BALANCE	(4,014,845)	(2,450)	(4,229,231)	1,393,624	(1,765,042)	268,437	(4,350,313)	625,476	(3,090,759)
Fund Balance, beginning of year	20,510,151	20,510,151	20,507,701	20,507,701	24,685,980	24,685,980	21,714,882	21,714,882	22,340,358
Fund Balance, end of year	\$16,495,306	\$20,507,701	\$16,278,470	\$21,901,325	\$22,920,938	\$24,954,417	\$17,364,569	\$22,340,358	\$19,249,599

(1) From the District's comprehensive audited financial statements for fiscal years 2013-14 through 2015-16, respectively. Includes restricted and unrestricted general fund.

(2) In accordance with the fund type definitions promulgated by Governmental Accounting Standards Board ("GASB") Statement No. 54, the auditors included the Special Reserve Fund for Other than Capital Outlay Projects along with the restricted and unrestricted general fund in fiscal year 2015-16 only.

(3) From the District's Adopted Budget for fiscal year 2016-17, which was approved by the Board on June 23, 2016. Amounts are rounded to nearest whole number. Includes restricted and unrestricted general fund. Revised to reflect actual beginning fund balance.

(4) From the District's Unaudited Actuals Report for fiscal year 2016-17, which was approved by the Board on September 14, 2017. Amounts are rounded to nearest whole number. Includes restricted and unrestricted general fund.

(5) Includes contributions to the Cafeteria Special Revenue Fund and the Building Fund.

Source: San Mateo Union High School District.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to State Education Code Section 41010, is to be followed by all State 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.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The audited financial statements for the District for the fiscal year ended June 30, 2016, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 650 North Delaware Street, San Mateo, California 94401, telephone: (650) 558-2299. The audited financial statements for the year ended June 30, 2016, are attached hereto as APPENDIX B.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal years 2011-12 through 2015-16. Due to a change in auditors in fiscal year 2015-16, the presentation format in the following table for such year is different than fiscal years 2011-12 through 2014-15.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES⁽¹⁾
Fiscal Years 2011-12 through 2015-16
San Mateo Union High School District

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15		Fiscal Year 2015-16 ⁽²⁾
Revenues					Revenues	
LCFF/Revenue limit sources ⁽³⁾	\$91,887,834	\$101,091,067	\$108,642,201	\$110,952,985	LCFF	\$120,851,140
Federal sources	4,319,955	2,731,000	2,242,122	2,472,604	Federal sources	2,505,830
Other state sources	5,464,973	5,856,661	2,886,027	7,421,925	Other state sources	11,569,667
Other local sources	5,696,699	6,098,987	8,341,022	8,813,705	Other local sources	6,001,637
Total revenues	107,369,461	115,777,715	122,111,372	129,661,219	Total revenues	140,928,274
Expenditures					Expenditures	
Instructional Services:					Certificated salaries	55,944,002
Instruction	56,579,516	57,910,527	59,077,531	64,485,841	Classified salaries	22,237,346
Instruction-Related Services:					Employee benefits	28,296,053
Supervision of instruction	2,323,174	2,351,589	3,176,457	3,924,512	Books and supplies	7,947,310
Instructional library, media and technology	2,427,093	2,918,588	3,935,916	3,843,445	Services and other operating expenditures	18,733,454
School site administration	5,881,832	5,878,011	6,217,647	6,379,185	Capital outlay	523,403
Pupil Support Services:					Other outgo	3,828,269
Home-to-school transportation	1,764,898	1,752,905	1,982,510	1,969,192	Debt service, principal	—
Food Services	52	80,573	3,686	84	Debt service, interest	—
All other pupil services	8,695,769	9,296,388	10,090,079	10,812,292	—	—
Ancillary services	2,866,666	2,991,062	3,428,391	4,189,055	—	—
Community services	—	—	54,114	—	—	—
Enterprise activities	759,454	796,811	1,225,820	1,555,529	—	—
General Administration Services:					—	—
Data processing services	292,363	—	—	—	—	—
Other general administration	4,208,950	4,923,938	5,771,801	6,645,838	—	—
Plant services	13,411,719	13,727,446	15,979,276	16,307,619	—	—
Transfers of Indirect costs	—	(250,803)	(290,692)	(284,268)	—	—
Facility acquisition and construction	—	—	—	—	—	—
Capital outlay	—	—	—	120,301	—	—
Other Outgo:					—	—
Transfers between agencies/					—	—
Intergovernmental transfers	2,271,468	3,107,751	3,947,739	4,611,028	—	—
Debt Service - issuance costs	308,643	192,850	119,901	205,552	—	—
Debt Service - principal	—	—	—	—	—	—
Debt Service - interest	—	—	—	—	—	—
Total Expenditures	101,791,597	105,677,636	114,720,176	124,765,205	Total Expenditures	137,509,837
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,577,864	10,100,079	7,391,196	4,896,014	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,418,437
Other Financing Sources (Uses)					Other Financing Sources (Uses)	
Interfund transfers in	—	—	—	—	Interfund transfers in	35,031
Interfund transfers out ⁽⁴⁾	(8,802,527)	(8,859,243)	(6,949,243)	(2,525,000)	Interfund transfers out ⁽⁴⁾	(3,185,031)
Total Other Financing Sources and (Uses)	(8,802,527)	(8,859,243)	(6,949,243)	(2,525,000)	Total Other Financing Sources and (Uses)	(3,150,000)
Net Change in Fund Balances	(3,224,663)	1,240,836	441,953	2,371,014	Net Change in Fund Balances	268,437
Fund Balances, July 1	23,856,840	20,632,177	21,873,013	22,314,966	Fund Balances, July 1	24,685,980
Fund Balances, June 30	<u>\$20,632,177</u>	<u>\$21,873,013</u>	<u>\$22,314,966</u>	<u>\$24,685,980</u>	Fund Balances, June 30	<u>\$24,954,417</u>

⁽¹⁾ From the District's comprehensive audited financial statements for fiscal years 2011-12 through 2015-16, respectively. In addition to the District's unrestricted and restricted general fund activity, includes the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

⁽²⁾ Due to a change in auditors in fiscal year 2015-16, the presentation format for expenditures is different in such year.

⁽³⁾ Prior to fiscal year 2013-14, reflects revenue limit sources. Beginning in fiscal year 2013-14, reflects LCFF sources. See "State Funding of Education" herein.

⁽⁴⁾ Includes contributions to the Cafeteria Special Revenue Fund and the Building Fund.

Source: San Mateo Union High School District.

State Budget Measures

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

2017-18 Budget. On June 27, 2017, the Governor signed into law the State budget for fiscal year 2017-18 (the "2017-18 Budget"). The following information is drawn from the LAO's preliminary review of the 2017-18 Budget.

For fiscal year 2016-17, the 2017-18 Budget projects total general fund revenues and transfers of \$118.5 billion and total expenditures of \$121.4 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.4 billion, including \$642 million in the traditional general fund reserve and \$6.7 billion in the BSA. For fiscal year 2017-18, the 2017-18 Budget projects total general fund revenues of \$125.9 billion, reflecting a 6% increase over the prior year and driven primarily by a projected 5% increase in personal income, sales and use tax collections. The 2017-18 Budget authorizes expenditures of \$125.1 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$9.9 billion, including \$1.4 billion in the traditional general fund reserve and \$8.5 billion in the BSA.

With respect to education funding, the 2017-18 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2015-16 and 2016-17, as a result of lower-than-estimated general fund revenue collections. The 2017-18 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at \$68.7 billion, an decrease of \$379 million from the prior year. However, total Proposition 98 funding exceeded the minimum guarantee by \$53 million as a result of various adjustments related to the LCFF and community college apportionments. The 2017-18 Budget revises the minimum funding guarantee for fiscal year 2016-17 at \$71.3 billion, reflecting a decrease of \$558 million from the prior year. Total spending, however, exceed the minimum funding guarantee by approximately \$29 million, as a result of a \$514 million "settle up" payment related to an obligation created by understating the minimum guarantee in a prior year.

For fiscal year 2017-18, the 2017-18 Budget sets the minimum funding guarantee at \$74.5 billion, reflecting an increase of \$3.1 billion (or 4.4%) from the revised prior-year level. Fiscal year 2017-18 is projected to be a "Test 2" year, with the change in the minimum funding guarantee attributable to a 3.7% increase in per capita personal income and a projected 0.05% decline in K-12 attendance. With respect to K-12 education, the 2017-18 Budget sets Proposition 98 funding at \$64.7 billion, including \$45.7 billion from the State general fund, reflecting an increase of \$2.7 billion (or 4.3%) from the prior year. Per-pupil spending increases 4.3% to \$10,863.

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

- **Local Control Funding Formula** – approximately \$1.4 billion in Proposition 98 funding to continue the implementation of the LCFF. Total LCFF funding for school districts and charter schools is set at \$57.4 billion, a 2.7% increase from the prior year. The 2017-18 Budget projects that this funding will bring LCFF implementation to approximately 97%.

- Discretionary Funding – An increase of \$877 million in one-time Proposition 98 funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities.
- Maintenance Factor; Settle Up Payment –The 2017-18 Budget provides for an additional maintenance factor payment of \$536 million, after which the State’s outstanding obligation would be approximately \$900 million. The 2017-18 Budget also provides \$603 million to fund a settle-up payment related to an obligation created in fiscal year 2009-10 when revenue estimates understated the minimum funding guarantee. This reduces the State’s total settle up obligation to approximately \$440 million.
- Career Technical Education (CTE) – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The 2017-18 Budget provides \$200 million as the final installment of funding for this program. The 2017-18 Budget also provides the California Department of Education with \$15.4 million in on-going Proposition 98 funding to support efforts linking secondary and postsecondary CTE.
- K-12 Educational Mandates – \$3.5 million to fund a 1.56% COLA to the block grant program for State mandated K-12 educational programs and activities. The 2017-18 Budget establishes a statutory COLA for these programs moving forward. The 2017-18 also provides \$61 million to fund a 1.56% COLA to several other categorical programs.
- Teacher Workforce Initiative – The 2017-18 Budget funds a variety of teacher recruitment and training programs, including (i) \$25 million in one-time Proposition 98 funding for grants to assist classified school employees secure bachelor’s degrees and teaching credentials; (ii) \$11 million in federal Title II funds to establish a program to help local educational agencies attract and support teachers, principals and other school leaders; and (iii) \$5 million in one-time Proposition 98 funding for a new program that would encourage teachers to obtain bilingual credentials and teach in bilingual settings.
- Proposition 39 – Passed by voters in November 2012, Proposition 39 increased State corporate tax revenues and requires that, for a five-year period starting in fiscal year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The 2017-18 Budget allocates \$423 million of such funds to support school district and charter school energy efficiency projects in fiscal year 2017-18.
- After School Safety and Education Safety Program – an increase of \$50 million in Proposition 98 funding (for a total of \$600 million) to increase per-child reimbursement rates for providers of local after school education and enrichment programs.
- Proposition 56 – Passed by voters in November 2016, Proposition 56 increased the per-pack State sales tax on cigarettes by \$2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine products. The 2017-18 Budget allocates \$32 million of Proposition 56 revenues to support these programs.

- Charter School Facility Grant Program – Under this program, the State provides certain charter schools with grants to defray the cost of renting and leasing school facilities. The 2017-18 Budget increases the per-student funding rate to \$1,117 and provides an ongoing COLA for the program moving forward.
- Equity and Improvement Program – \$2.5 million in one-time Proposition 98 funding for two or more county offices of education to assist local educational agencies in closing achievement gaps in public schools.
- Proposition 51 – a total allocation of \$593 million in Proposition 51 bond funds for K-12 school facility projects.
- Refugee Students – \$10 million in one-time Proposition 98 funding for the State Department of Social Services to provide grants to school districts that serve notable numbers of refugee students.

For additional information regarding the 2017-18 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

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

SAN MATEO UNION HIGH SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are 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. The Bonds are payable solely from the revenues generated by an ad valorem property tax required to be levied by the County on taxable property within the District for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The District is a basic aid district that includes the communities of Burlingame, Foster City, Hillsborough, Millbrae, San Bruno and San Mateo. The District operates six comprehensive high schools, a continuation high school and an adult school. The District has budgeted a fiscal year 2017-18 enrollment of 9,117 students, including special education and continuing education students, and an ADA of 8,823 students. Over 6,000 adults are served through the adult school. The District serves a resident population of approximately 235,000 persons and has a fiscal year 2017-18 assessed valuation of \$72,683,797,998.

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

SAN MATEO UNION HIGH SCHOOL DISTRICT
Board of Trustees

Name	Office	Term Expires
Peter H. Hanley	President	December 2018
Linda Lees Dwyer	Vice President	December 2018
Greg Land	Clerk	December 2020
Marc Friedman	Trustee	December 2020
Robert H. Griffin	Trustee	December 2018

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Kevin Skelly, Ph.D. is the Superintendent of the District and Elizabeth McManus is the Deputy Superintendent, Business Services. Brief biographies of the Superintendent and the Deputy Superintendent, Business Services follow:

Kevin Skelly, Ph.D., Superintendent. Dr. Kevin Skelly was appointed Superintendent of the District effective July 1, 2015. Immediately prior to joining the District, Dr. Skelly served as Interim Superintendent of Mountain View Whisman School District, and, prior thereto, as Superintendent of the Palo Alto Unified School District. His prior positions also include Associate Superintendent at Poway Unified School District, Principal at Saratoga High School, and high school math and Spanish teacher. Dr. Skelly earned his degree in Economics from Harvard University and a Ph.D. in Education Policy and Administration from the University of California, Berkeley.

Elizabeth McManus, Deputy Superintendent, Business Services. Ms. Elizabeth McManus was named Deputy Superintendent, Business Services of the District effective July 1, 2008 and previously served as the District's Assistant Superintendent, Business Services since July 2006. Prior to joining the District, Ms. McManus served other public education and non-profit corporations for 17 years. In addition, Ms. McManus has also had an extensive career in the private sector, working as a business analyst in strategic planning for Rockwell International, a supervisor of field accounting for Taco Bell Corporation, and a supervisor of operations analysis with U.S. Sprint. She received her Bachelor of Science degree from California Polytechnic State University, San Luis Obispo, and a Masters of Business Administration from Illinois Institute of Technology.

Charter School

The State Legislature enacted the Charter Schools Act of 1992 (State Education Code Sections 47600-47663) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State's charter school law states that local boards are the primary charter-approving agency and that county boards of education can approve a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to any independent and District-operated charter schools established within its boundaries. However, any independent charter schools would receive funding directly from the State, and such funding would not be reported in

the District's audited financial statements. Any District-operated charter schools would receive funding through the District, and such funding would be reflected in the District's audited financial statements.

On November 22, 2013, the Board approved the charter petition of Design Tech High School (the "Charter School") for a period of five years from July 1, 2014 through June 30, 2019. The Charter School is a District-operated charter school and is currently located on a site rented by the District from the County Office of Education. In January 2018, the Charter School is expected to move to a new site at which the District does not expect to pay rent. As a result, the District expects to realize approximately \$700,000 annually in general fund savings in the future. The Charter School has budgeted a fiscal year 2017-18 enrollment of approximately 550 students. Due to the District's basic aid status, the District is required to pay the base funding portion of the LCFF transition calculation to the Charter School. This amount is paid from the District's local property taxes and is incorporated into the District's budget as a contra-revenue.

The District can make no representations regarding how many District students will transfer to charter schools, including the Charter School, in the future or back to the District from such charter schools, and the corresponding financial impact on the District.

Labor Relations

The District currently employs approximately 478 full-time equivalent certificated employees and 300 classified employees. In addition, the District employs 243 part-time faculty and staff. These employees, except management and some part-time employees, are represented by three bargaining units as noted below:

SAN MATEO UNION HIGH SCHOOL DISTRICT Labor Relations

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
California Teachers Association	531	June 30, 2018
California School Employees Association (CSEA)	428	June 30, 2019
American Federation of State County and Municipal Employees	15	June 30, 2017 ⁽¹⁾

⁽¹⁾ Employees continue to work under the terms of the expired contract while a new contract is being negotiated. The District currently expects to settle with this labor organization by the end of calendar year 2017.
Source: San Mateo Union High School District.

District Retirement Systems

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 any of the District, the Financial Advisor or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the California 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

Source: AB 1469.

Pursuant to the Reform Act (as defined below), the contribution rates for members hired after the Implementation Date (as defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. While the contribution rate for employees hired after the Implementation Date will remain unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, the STRS actuary currently estimates that member contribution rates for such members will have to increase to 10.205% of creditable compensation effective July 1, 2018, based on the new actuarial assumptions discussed below.

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

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS Defined Benefit Program

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

Source: AB 1469.

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

The District's contribution to STRS was \$4,047,063 in fiscal year 2012-13, \$4,226,011 in fiscal year 2013-14, \$4,971,901 in fiscal year 2014-15, \$6,138,654 in fiscal year 2015-16, and \$7,678,653 (unaudited) in fiscal year 2016-17, and in each such year was equal to 100% of the required contributions. The District has budgeted its contribution to STRS for fiscal year 2017-18 to be \$9,235,871.

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll for fiscal year 2017-18. 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 California 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 is 15.531% of eligible salary expenditures for fiscal year 2017-18. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries in fiscal year 2017-18, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% of their respective salaries for fiscal year 2017-18. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS was \$1,984,524 in fiscal year 2012-13, \$2,184,216 in fiscal year 2013-14, \$2,435,918 in fiscal year 2014-15, \$2,628,697 in fiscal year 2015-16, and \$3,493,497 (unaudited) in fiscal year 2016-17, and in each such year was equal to 100% of the required contributions. The District has budgeted its contribution to PERS for fiscal year 2017-18 to be \$4,337,711.

For further information about the District's contributions to STRS and PERS, see "APPENDIX B – 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 6" attached hereto.

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

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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 2015-16

<u>STRS</u>					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾	Value of Trust Assets (AVA) ⁽³⁾	Unfunded Liability (AVA) ⁽³⁾
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

<u>PERS</u>					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA) ⁽³⁾	Unfunded Liability (AVA) ⁽³⁾
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	— ⁽⁴⁾	— ⁽⁴⁾
2014-15	73,325	56,814	16,511	— ⁽⁴⁾	— ⁽⁴⁾
2015-16	77,544	55,785	21,759	— ⁽⁴⁾	— ⁽⁴⁾

⁽¹⁾ Amounts may not add due to rounding.

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

⁽³⁾ Reflects actuarial value of assets.

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

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect members’ increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for

the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial valuation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2016 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, recent investment experience and the insufficiency of the contributions received in fiscal year 2015–16 to cover interest on the unfunded actuarial obligation, the 2016 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$20.5 billion since the June 30, 2015 actuarial valuation and the funded ratio decreased by 4.8% to 63.7% over such time period. Had the investment rate of return been lowered to 7.00% for the 2016 STRS Actuarial Valuation, the unfunded actuarial obligation and the funded ratio would have been \$105.1 billion and 61.8%, respectively. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2016 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three-year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017–18, 7.25% in fiscal year 2018–19 and 7.00% in fiscal year 2019–20. The new discount rate went into effect July 1, 2017 for the State and will go into effect 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.

Based on the Schools Pool Actuarial Valuation as of June 30, 2016 (the “2016 PERS Actuarial Valuation”), the three-year phased in reduction of the discount rate is currently projected to result in an employer contribution rate of 17.7% for fiscal year 2018–19, and annual increases thereafter, resulting in a projected 25.1% employer contribution rate by fiscal year 2024–25. Such projections contained in the 2016 PERS Actuarial Valuation assume that all other actuarial assumptions will be realized and no changes to assumptions, contributions, benefits or funding will occur during the projected period. The 2016 PERS Actuarial Valuation continues to use the Entry Age Normal Actuarial Cost Method, a 3.0% annual payroll growth (compounded annually) and a 2.75% inflation rate (compounded annually).

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

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

The 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 share of the net pension liabilities for STRS and PERS, as of June 30, 2016, are as shown in the following table.

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>
STRS	\$78,893,947
PERS	27,300,522
Total	<u>\$106,194,469</u>

Source: San Mateo Union High School District.

For further information about the District's contributions to STRS and PERS, see "APPENDIX B – 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 6" attached hereto.

Other Post-Employment Benefits

Benefits Plan. The District administers a single-employer defined benefit other postemployment benefit plan (the "Plan") that provides medical, dental and vision insurance benefits (the "Benefits") to eligible retirees and their spouses. As of November 2016, there were 48 retirees and beneficiaries receiving Benefits and 907 eligible active members under the Plan.

Individuals that have reached their 55th birthday and have worked for the District for 10 years may qualify for a contribution by the District of up to \$250 a month, until their 65th birthday. Effective January 1, 2010, such a retiree will receive \$500 a month toward medical insurance until the retiree's 65th birthday. In addition, if the retiree's spouse was enrolled in the District's medical plan, the spouse will receive \$250 a month towards medical insurance until the spouse's 65th birthday.

Effective January 1, 2010, employees who retired and did not select or did not qualify for the District Insurance Incentive Plan receive \$250 a month toward medical insurance until the retiree's 65th birthday. In addition, if such retiree's spouse was enrolled in the District's medical plan, the spouse will receive \$250 a month towards medical benefits until the spouse's 65th birthday.

Spouses of retirees over age 65, or surviving spouses of retirees, will receive \$250 a month towards medical insurance until the spouse or surviving spouse's 65th birthday.

Funding Policy. The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund the Benefits as determined annually by the Board. For fiscal year 2015-16, the District recognized \$167,063 of expenditures for the Benefits. For fiscal year 2016-17, the District recognized \$21,484 (unaudited) of expenditures for the Benefits. For fiscal year 2017-18, the District has budgeted \$250,000 of expenditures for the Benefits.

Actuarial Valuation. The District has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the Benefits under the Plan. The most recent of these studies, dated September 3, 2017 (the "Actuarial Report"), determined that, as of a December 1, 2016 valuation date, the unfunded actuarial accrued liability (the "UAAL") with respect to the Benefits was \$2,586,184, and that the actuarial present value of total future Benefits was \$3,920,049. The Actuarial Study also concluded that the annual required contribution (the "ARC") for the year beginning December 1, 2016 was \$279,272. The ARC is the amount that would be necessary to fund the value of future Benefits earned by current employees during each fiscal year (the "Normal Cost") and the amount necessary to amortize the UAAL, in accordance with the GASB Statements Nos. 43 and 45.

Net OPEB Asset. As of June 30, 2016, the District estimated a net long-term asset, as opposed to net OPEB liability (the "Net OPEB Asset"), of \$173,852 with respect to its accrued liability for the Benefits. The Net OPEB Asset is based on the District's contributions towards the ARC during fiscal year 2015-16. See "APPENDIX B - 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 7" attached hereto.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is a member of the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium to the entity for its property liability, health insurance and workers' compensation coverage, with excess workers' compensation coverage provided by Arch Insurance Company. SMCSIG is governed by a board consisting of a representative from each member district. The governing board of SMCSIG controls the operations of the entity independent of any influence by the member districts beyond their representation on the governing board. The relationship between the District and SMCSIG is such that SMCSIG is not a component unit of the District for financial reporting purposes.

District Debt Structure

Short-Term Debt. On July 12, 2017, the District executed and delivered \$12,935,000 aggregate principal amount of tax and revenue anticipation notes (the "TRANS"), to provide for anticipated cash flow deficits from operations. The TRANS will mature on June 29, 2018, bear interest at a rate of 3.00%, and have a yield of 0.90%. The TRANS are a general obligation of the District, payable from revenues and cash receipts generated by the District during the fiscal year ending June 30, 2018.

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below. The following table does not include the 2016B Refunding Bonds, 2016C Refunding Bonds, 2016D Refunding Bonds, or 2016E Refunding Bonds (each described below), which were issued in September 2016.

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
General Obligation Bonds:				
Principal Payments	\$557,523,058	\$12,550,000	\$26,440,816	\$543,632,242
Accreted Interest	62,225,849	12,342,155	2,265,601	72,302,403
Net Pension Liability	87,432,589	18,761,880	—	106,194,469
Accumulated Vacation	688,542	—	82,186	606,356
Subtotal	707,870,038	43,654,035	28,788,603	722,735,470
Unamortized General Obligation Bond Premium	31,334,888	—	1,081,823	30,253,065
Unamortized Loss on Refunding	(20,249,755)	—	(19,248,015)	(1,001,740)
Total Long-Term Obligations	<u>\$718,955,171</u>	<u>\$43,654,035</u>	<u>\$10,622,411</u>	<u>\$751,986,795</u>

Source: San Mateo Union High School District

General Obligation Bonds. The District received authorization at an election held on November 7, 2000 by at least two-thirds of the votes cast by eligible voters within the District to issue \$137,500,000 maximum principal amount of general obligation bonds (the "2000 Authorization"). On April 12, 2001, the District issued its Election of 2000 General Obligation Bonds, Series A, in the aggregate principal amount of \$60,000,000 (the "2000 Series A Bonds"). On July 24, 2002, the District issued its Election of 2000 General Obligation Bonds, Series B, in the aggregate principal amount of \$49,996,151.60 (the "2000 Bonds"). On March 4, 2004, the District issued its Election of 2000 General Obligation Bonds, Series C (2004), in the aggregate principal amount of \$27,503,797.65 (the "2000 Series C Bonds"), representing the full remaining balance of the 2000 Authorization. On September 30, 2004, the District issued its 2004 General Obligation Refunding Bonds in the aggregate principal amount of \$55,960,000 (the "2004 Refunding Bonds"), the proceeds of which were used to advance refund all of the then-outstanding 2000 Series A Bonds. On February 13, 2012, the District issued its 2012 General Obligation Refunding Bonds in the aggregate principal amount of \$10,835,000 (the "2012 Refunding Bonds"), the proceeds of which were used to advance refund a portion of the then-outstanding 2000 Series C Bonds. On November 7, 2012, the District issued its 2012 General Obligation Refunding Bonds, Series B in the aggregate principal amount of \$38,940,000 (the "2012 Refunding Bonds, Series B"), the proceeds of which were used to advance refund a portion of the then-outstanding 2004 Refunding Bonds. There is no remaining 2000 Authorization.

The District received authorization at an election held on November 7, 2006 by at least fifty-five percent of the votes cast by eligible voters within the District to issue \$298,000,000 aggregate principal amount of general obligation bonds (the "2006 Authorization"). On June 18, 2008, the District issued its Election of 2006 General Obligation Bonds, Series 2008A in the aggregate principal amount of \$62,700,000 (the "2006 Series 2008A Bonds"). On February 17, 2010, the District concurrently issued its Election of 2006 General Obligation Bonds, Series 2010A (Tax-Exempt) (the "2006 Series 2010A Bonds") in the aggregate principal amount of \$4,890,000 and its Election of 2006 General Obligation Bonds, Series 2010B (Build America Bonds – Direct Payment to District) (Federally Taxable) in the aggregate principal amount of \$65,110,000 (the "2006 Series 2010B Bonds"). On July 14, 2011, the District issued its Election of 2006 General Obligation Bonds, Series 2011A-1 (Qualified School Construction Bonds – Direct Payment to the District) (Federally Taxable) in the aggregate principal amount of \$25,000,000, through a private placement with JPMorgan Chase Bank, N.A. (the "2006 Series 2011A-1 Bonds"). On July 20, 2011, the District issued its Election of 2006 General Obligation Bonds,

Series 2011A in the aggregate principal amount of \$34,999,363.55 ("2006 Series 2011A Bonds"). On February 13, 2012, the District issued its Election of 2006 General Obligation Bonds, Series 2012 in the aggregate principal amount of \$10,895,852.30 (the "2006 Series 2012A Bonds"). On December 20, 2013, the District issued its Election of 2006 General Obligation Bonds, Series 2013A in the aggregate principal amount of \$94,400,575.55 (the "2006 Series 2013A Bonds"). On November 13, 2014, the District issued its 2014 General Obligation Refunding Bonds in the aggregate principal amount of \$50,190,000 (the "2014 Refunding Bonds"), the proceeds of which were used to advance refund a portion of the then-outstanding 2006 Series 2008A Bonds. There is no remaining 2006 Authorization.

The District received authorization at an election held on November 2, 2010 by at least fifty-five percent of the votes cast by eligible voters within the District to issue \$186,000,000 aggregate principal amount of general obligation bonds (the "2010 Authorization"). On June 15, 2011, the District issued its 2010 Series 2011A Bonds in the aggregate principal amount of \$89,999,988.95, a portion of the proceeds of which was used to prepay certain of the District's then-outstanding certificates of participation. On December 20, 2013, the District issued its Election of 2010 General Obligation Bonds, Series 2013A in the aggregate principal amount of \$39,999,940.75 (the "2010 Series 2013A Bonds"). On May 19, 2015, the District issued its Election of 2010 General Obligation Bonds, Series 2015A (the "2010 Series 2015A Bonds") in the aggregate principal amount of \$56,000,000. There is no remaining 2010 Authorization.

On March 24, 2016, the District issued its 2016 General Obligation Refunding Bonds (2021 Crossover) in the aggregate principal amount of \$12,550,000, the proceeds of which were used to advance refund, on a crossover basis, certain of the then-outstanding 2006 Series 2011A Bonds and 2010 Series 2011A Bonds (the "2016 Refunding Bonds"). On September 21, 2016, the District concurrently issued its (i) 2016 General Obligation Refunding Bonds, Series B in the aggregate principal amount of \$38,380,000, the proceeds of which were issued to advance refund certain of the then-outstanding 2010 Series 2011A Bonds and 2006 Series 2013A Bonds (the "2016B Refunding Bonds"), (ii) 2016 General Obligation Refunding Bonds, Series C (2020 Crossover) in the aggregate principal amount of \$58,530,000, the proceeds of which were used to advance refund, on a crossover basis, certain of the then-outstanding 2006 Series 2010B Bonds (the "2016C Refunding Bonds"), (iii) 2016 General Obligation Refunding Bonds, Series D (2022 Crossover) in the aggregate principal amount of \$12,000,000, the proceeds of which were used to advance refund, on a crossover basis, certain of the then-outstanding 2006 Series 2012A Bonds (the "2016D Refunding Bonds"), and (iv) 2016 General Obligation Refunding Bonds, Series E (2023 Crossover) in the aggregate principal amount of \$22,010,000, the proceeds of which were used to advance refund, on a crossover basis, certain of the then-outstanding 2010 Series 2013A Bonds (the "2016E Refunding Bonds"). The District expects to use the proceeds of the Bonds to advance refund certain of the remaining outstanding 2010 Series 2011A Bonds.

The annual requirements to amortize all of the District's outstanding general obligation bonds, assuming no optional redemptions are made, are as shown in the tables on the following pages.

2000 AUTHORIZATION GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
San Mateo Union High School District

Year Ending September 1	2000 Series B Bonds	2000 Series C Bonds	2012 Refunding Bonds	2012 Refunding Bonds, Series B	Total Annual Debt Service
2018	\$5,465,000.00	—	\$1,486,350.00	\$4,266,634.90	\$11,217,984.90
2019	5,840,000.00	—	1,584,000.00	4,268,983.26	11,692,983.26
2020	6,235,000.00	—	1,680,000.00	4,264,487.00	12,179,487.00
2021	6,645,000.00	—	1,770,000.00	4,266,247.00	12,681,247.00
2022	7,080,000.00	—	1,854,000.00	4,268,023.00	13,202,023.00
2023	7,530,000.00	\$2,135,000.00	—	4,266,093.00	13,931,093.00
2024	8,000,000.00	2,265,000.00	—	4,262,986.00	14,527,986.00
2025	8,490,000.00	2,385,000.00	—	—	10,875,000.00
2026	12,620,000.00	3,135,000.00	—	—	15,755,000.00
2027	—	16,195,000.00	—	—	16,195,000.00
2028	—	16,850,000.00	—	—	16,850,000.00
Total	<u>\$67,905,000.00</u>	<u>\$42,965,000.00</u>	<u>\$8,374,350.00</u>	<u>\$29,863,454.16</u>	<u>\$149,107,804.16</u>

Source: San Mateo Union High School District.

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2006 AUTHORIZATION GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE ⁽¹⁾
San Mateo Union High School District

Year Ending September 1	2006 Series 2008A Bonds	2006 Series 2010A Bonds	2006 Series 2010B Bonds ⁽²⁾⁽³⁾⁽⁵⁾	2006 Series 2011A Bonds ⁽³⁾	2006 Series 2011A-1 Bonds ⁽⁴⁾⁽⁵⁾	2006 Series 2012A Bonds ⁽³⁾	2006 Series 2013A Bonds	2014 Refunding Bonds	Total Annual Debt Service
2018	\$1,253,200.00	\$933,675.00	\$4,172,176.60	\$346,150.00	\$2,408,132.50	\$243,600.00	\$5,327,000.00	\$2,356,200.00	\$17,040,134.10
2019	—	—	5,272,176.60	346,150.00	2,399,736.00	258,600.00	5,707,000.00	3,671,200.00	17,654,862.60
2020	—	—	5,451,576.60	346,150.00	2,393,083.00	273,600.00	6,111,750.00	3,850,450.00	18,426,609.60
2021	—	—	5,617,736.60	381,150.00	2,392,923.00	283,600.00	6,503,500.00	4,042,450.00	19,221,359.60
2022	—	—	5,783,176.60	410,100.00	2,413,755.00	298,600.00	6,906,500.00	4,240,950.00	20,053,081.60
2023	—	—	5,946,609.10	437,500.00	2,439,326.50	313,600.00	7,328,750.00	4,444,950.00	20,910,735.60
2024	—	—	6,120,969.10	468,700.00	2,459,136.50	333,600.00	4,617,750.00	4,658,450.00	18,658,605.60
2025	—	—	6,291,145.36	498,500.00	2,488,185.00	353,600.00	4,847,750.00	4,887,850.00	19,367,030.36
2026	—	—	6,465,535.36	535,250.00	2,510,720.50	373,600.00	5,087,000.00	5,133,650.00	20,105,755.86
2027	—	—	6,646,135.36	584,750.00	2,531,452.50	398,600.00	5,336,000.00	5,379,900.00	20,876,837.86
2028	—	—	6,825,110.36	1,586,250.00	—	683,600.00	6,263,250.00	5,645,150.00	21,003,360.36
2029	—	—	7,013,632.80	1,637,000.00	—	708,600.00	6,538,750.00	5,922,400.00	21,820,382.80
2030	—	—	7,202,530.06	1,737,000.00	—	753,600.00	6,847,250.00	6,204,900.00	22,745,280.06
2031	—	—	7,394,782.20	1,858,500.00	—	798,600.00	2,010,750.00	6,506,150.00	18,568,782.20
2032	—	—	7,593,032.70	1,980,000.00	—	848,600.00	—	6,818,625.00	17,240,257.70
2033	—	—	11,994,588.36	3,440,000.00	—	1,253,600.00	—	—	16,688,188.36
2034	—	—	12,823,969.96	3,490,000.00	—	1,283,600.00	—	—	17,597,569.96
2035	—	—	—	9,685,031.26	—	2,508,600.00	—	—	12,193,631.26
2036	—	—	—	9,300,531.26	—	2,768,600.00	—	—	12,069,131.26
2037	—	—	—	9,505,606.26	—	2,928,600.00	—	—	12,434,206.26
2038	—	—	—	10,021,781.26	—	2,276,600.00	—	—	12,298,381.26
2039	—	—	—	10,691,781.26	—	2,407,600.00	—	—	13,099,381.26
2040	—	—	—	11,212,443.76	—	—	—	—	11,212,443.76
2041	—	—	—	11,765,181.26	—	—	—	—	11,765,181.26
2042	—	—	—	12,344,593.76	—	—	—	—	12,344,593.76
2043	—	—	—	12,958,812.50	—	—	—	—	12,958,812.50
2044	—	—	—	13,601,343.76	—	—	—	—	13,601,343.76
2045	—	—	—	14,385,656.26	—	—	—	—	14,385,656.26
2046	—	—	—	15,096,968.76	—	—	—	—	15,096,968.76
2047	—	—	—	14,344,250.00	—	—	—	—	14,344,250.00
2048	—	—	—	15,239,900.00	—	—	—	—	15,239,900.00
2049	—	—	—	16,180,300.00	—	—	—	—	16,180,300.00
2050	—	—	—	17,159,600.00	—	—	—	—	17,159,600.00
2051	—	—	—	18,393,833.33 ⁽⁶⁾	—	—	—	—	18,393,833.33
Total	<u>\$1,253,200.00</u>	<u>\$933,675.00</u>	<u>\$118,614,883.72</u>	<u>\$241,970,764.69</u>	<u>\$24,436,450.50</u>	<u>\$22,351,200.00</u>	<u>\$79,433,000.00</u>	<u>\$73,763,275.00</u>	<u>\$562,756,448.91</u>

⁽¹⁾ Excludes the 2016 Refunding Bonds, 2016B Refunding Bonds, 2016C Refunding Bonds and 2016D Refunding Bonds, the proceeds of which refinanced bonds of the 2006 Authorization. The debt service of such bonds is shown in "Combined General Obligation Bonds Debt Service Schedule" herein.

⁽²⁾ The 2006 Series 2010B Bonds are designated as "Build America Bonds" pursuant to an irrevocable election by the District to have Section 54AA and Section 54AA(g) of the Internal Revenue Code of 1986, as amended apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each semi-annual interest payment date (each a "BAB Subsidy"). This table reflects gross debt service payments with respect to the 2006 Series 2010B Bonds and does not reflect the anticipated receipt of the BAB Subsidy.

⁽³⁾ Includes debt service on the 2006 Series 2010B Bonds, 2006 Series 2011A Bonds and 2006 Series 2012A Bonds which are expected to be refinanced with proceeds of the 2016C Refunding Bonds, 2016 Refunding Bonds, and 2016D Refunding Bonds, respectively, on a crossover basis, on September 1, 2020 (the "2016C Crossover Date"), September 1, 2021 (the "2016 Crossover Date"), and September 1, 2022 (the "2016D Crossover Date"), respectively. Prior to the respective crossover dates, the 2006 Series 2010B Bonds, 2006 Series 2011A Bonds, and 2006 Series 2012A Bonds to be refunded will continue to be general obligations of the District secured by and payable solely from ad valorem property taxes, and, with respect to the 2006 Series 2010B Bonds, the BAB Subsidy.

⁽⁴⁾ The 2006 Series 2011A-1 Bonds are designated as "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Section 54F and Section 6431 of the Code, as amended by the Hiring Incentives to Restore Employment Act of 2010, apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 100% of the interest payable on such bonds on or about each semi-annual interest payment date (each a "QSCB Subsidy Payment" and together with the BAB Subsidy, the "Subsidy Payments"). This table reflects gross debt service payments with respect to the 2006 Series 2011A-1 Bonds and does not reflect the anticipated receipt of the QSCB Subsidy Payment.

⁽⁵⁾ The Subsidy Payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 6.6% through the end of the current federal fiscal year (September 30, 2018). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board of Supervisors is empowered and obligated to levy ad valorem property taxes in an amount sufficient to pay the principal of and interest on the 2006 Series 2010B Bonds and 2006 Series 2011A-1 Bonds. The County will deposit any cash Subsidy Payments received into the respective debt service fund for such bonds.

⁽⁶⁾ Final principal maturity and interest payment on July 1, 2051.

Source: San Mateo Union High School District.

2010 AUTHORIZATION GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE ⁽¹⁾
San Mateo Union High School District

<u>Year Ending September 1</u>	<u>2010 Series 2011A Bonds⁽²⁾⁽³⁾</u>	<u>2010 Series 2013A Bonds⁽³⁾</u>	<u>2010 Series 2015A Bonds</u>	<u>Combined Annual Debt Service</u>
2018	\$300,004.73	\$1,475,250.00	\$2,795,000.00	\$4,570,254.73
2019	395,000.00	1,475,250.00	2,400,750.00	4,271,000.00
2020	495,000.00	1,475,250.00	2,580,000.00	4,550,250.00
2021	600,011.44	1,475,250.00	2,770,000.00	4,845,261.44
2022	750,000.00	1,475,250.00	2,929,850.00	5,155,100.00
2023	90,000.00	1,475,250.00	3,125,850.00	4,691,100.00
2024	105,000.00	1,530,250.00	3,285,350.00	4,920,600.00
2025	425,000.00	2,092,500.00	4,239,600.00	6,757,100.00
2026	160,000.00	1,741,500.00	3,553,350.00	5,454,850.00
2027	150,000.00	1,766,500.00	3,726,100.00	5,642,600.00
2028	170,000.00	1,854,500.00	3,891,350.00	5,915,850.00
2029	12,979,485.00	3,262,250.00	6,703,850.00	22,945,585.00
2030	14,718,722.50	3,568,500.00	7,250,600.00	25,537,822.50
2031	15,569,442.50	3,739,750.00	7,525,200.00	26,834,392.50
2032	16,455,987.50	3,916,750.00	7,814,600.00	28,187,337.50
2033	12,946,262.50	5,483,500.00	11,072,400.00	29,502,162.50
2034	18,383,585.00	4,297,250.00	8,424,000.00	31,104,835.00
2035	19,419,355.00	4,502,250.00	—	23,921,605.00
2036	20,512,230.00	4,717,250.00	—	25,229,480.00
2037	21,665,820.00	4,942,250.00	—	26,608,070.00
2038	22,877,730.00	5,172,250.00	—	28,049,980.00
2039	24,149,895.00	5,422,250.00	—	29,572,145.00
2040	25,493,245.00	5,674,750.00	—	31,167,995.00
2041	21,452,035.00	5,943,000.00	—	27,395,035.00
2042	—	—	—	—
Total	<u>\$250,263,811.17</u>	<u>\$78,478,750.00</u>	<u>\$84,087,850.00</u>	<u>\$412,830,411.17</u>

⁽¹⁾ Excludes the Bonds, 2016 Refunding Bonds, 2016B Refunding Bonds and 2016E Refunding Bonds, the proceeds of which refinanced bonds of the 2010 Authorization. The debt service of such bonds is shown in “—Combined General Obligation Bonds Debt Service Schedule” herein.

⁽²⁾ Excludes debt service on the Refunded Bonds expected to be refinanced with proceeds of the Bonds as described herein.

⁽³⁾ Includes debt service on the 2010 Series 2011A Bonds and 2010 Series 2013A Bonds which are expected to be refinanced with proceeds of the 2016 Refunding Bonds and 2016E Refunding Bonds, respectively, on a crossover basis, on the 2016 Crossover Date and September 1, 2023 (the “2016E Crossover Date”), respectively. Prior to the respective crossover dates, the 2010 Series 2011A Bonds and 2010 Series 2013A Bonds to be refunded will continue to be general obligations of the District, secured by and payable solely from ad valorem property taxes.

Source: San Mateo Union High School District.

COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
San Mateo Union High School District

Year Ending September 1	Combined 2000 Authorization Bonds ⁽¹⁾	Combined 2006 Authorization Bonds ⁽²⁾	Combined 2010 Authorization Bonds ⁽³⁾	2016 Refunding Bonds ⁽⁴⁾	2016B Refunding Bonds	2016C Refunding Bonds ⁽⁴⁾	2016D Refunding Bonds ⁽⁴⁾	2016E Refunding Bonds ⁽⁴⁾	The Bonds	Combined Annual Debt Service
2018	\$11,217,984.90	\$17,040,134.10	\$4,570,254.73	\$441,175.00	\$1,621,900.00	\$2,419,250.00	\$465,537.50	\$764,600.00	\$1,520,505.70	\$40,061,341.93
2019	11,692,983.26	17,654,862.60	4,271,000.00	441,175.00	1,624,800.00	2,419,250.00	465,537.50	764,600.00	1,381,891.90	40,716,100.26
2020	12,179,487.00	18,426,609.60	4,550,250.00	441,175.00	1,622,600.00	2,419,250.00	465,537.50	764,600.00	1,381,891.90	42,251,401.00
2021	12,681,247.00	19,221,359.60	4,845,261.44	441,175.00	1,625,400.00	3,689,250.00	465,537.50	764,600.00	1,381,891.90	45,115,722.44
2022	13,202,023.00	20,053,081.60	5,155,100.00	471,175.00	1,630,800.00	3,883,450.00	465,537.50	764,600.00	1,381,891.90	47,007,659.00
2023	13,931,093.00	20,910,735.60	4,691,100.00	479,675.00	1,625,800.00	4,077,700.00	465,537.50	764,600.00	2,021,891.90	48,968,133.00
2024	14,527,986.00	18,658,605.60	4,920,600.00	497,675.00	4,600,800.00	4,293,450.00	465,537.50	764,600.00	2,135,667.90	50,864,922.00
2025	10,875,000.00	19,367,030.36	6,757,100.00	774,675.00	4,816,600.00	4,513,950.00	465,537.50	849,600.00	4,840,224.40	53,259,717.26
2026	15,755,000.00	20,105,755.86	5,454,850.00	597,675.00	5,053,800.00	4,738,200.00	465,537.50	761,200.00	2,615,894.36	55,547,912.72
2027	16,195,000.00	20,876,837.86	5,642,600.00	628,675.00	5,291,000.00	4,982,800.00	465,537.50	761,200.00	2,527,278.50	57,370,928.86
2028	16,850,000.00	21,003,360.36	5,915,850.00	1,499,275.00	6,187,600.00	5,233,200.00	465,537.50	761,200.00	2,669,419.66	60,585,442.52
2029	—	21,820,382.80	22,945,585.00	1,395,475.00	6,446,600.00	5,513,600.00	480,537.50	1,441,200.00	1,239,450.00	61,282,830.30
2030	—	22,745,280.06	25,537,822.50	1,479,075.00	6,751,800.00	5,797,200.00	525,237.50	1,594,000.00	1,235,875.00	65,666,290.06
2031	—	18,568,782.20	26,834,392.50	1,582,675.00	2,085,600.00	6,103,200.00	568,887.50	1,679,600.00	1,237,300.00	58,660,437.20
2032	—	17,240,257.70	28,187,337.50	1,685,100.00	151,000.00	6,420,000.00	621,525.00	1,770,400.00	1,238,562.50	57,314,182.70
2033	—	16,688,188.36	29,502,162.50	2,927,812.50	150,800.00	10,956,400.00	1,022,925.00	2,566,000.00	1,239,662.50	65,053,950.86
2034	—	17,597,569.96	31,104,835.00	2,973,600.00	150,600.00	12,032,800.00	1,053,800.00	1,963,000.00	1,240,600.00	68,116,804.96
2035	—	12,193,631.26	23,921,605.00	—	150,400.00	—	2,279,400.00	2,066,000.00	1,236,375.00	41,847,411.26
2036	—	12,069,131.26	25,229,480.00	—	150,200.00	—	2,540,000.00	2,172,600.00	1,237,150.00	43,398,561.26
2037	—	12,434,206.26	26,608,070.00	—	150,000.00	—	2,702,200.00	2,292,400.00	1,237,425.00	45,424,301.26
2038	—	12,298,381.26	28,049,980.00	—	149,800.00	—	2,049,400.00	2,404,050.00	1,237,525.00	46,189,136.26
2039	—	13,099,381.26	29,572,145.00	—	149,600.00	—	2,178,800.00	2,530,600.00	1,237,450.00	48,767,976.26
2040	—	11,212,443.76	31,167,995.00	—	149,400.00	—	—	2,656,450.00	1,237,200.00	46,423,488.76
2041	—	11,765,181.26	27,395,035.00	—	724,200.00	—	—	2,796,450.00	6,111,775.00	48,792,641.26
2042	—	12,344,593.76	—	—	3,146,000.00	—	—	—	26,630,550.00	42,121,143.76
2043	—	12,958,812.50	—	—	—	—	—	—	—	12,958,812.50
2044	—	13,601,343.76	—	—	—	—	—	—	—	13,601,343.76
2045	—	14,385,656.26	—	—	—	—	—	—	—	14,385,656.26
2046	—	15,096,968.76	—	—	—	—	—	—	—	15,096,968.76
2047	—	14,344,250.00	—	—	—	—	—	—	—	14,344,250.00
2048	—	15,239,900.00	—	—	—	—	—	—	—	15,239,900.00
2049	—	16,180,300.00	—	—	—	—	—	—	—	16,180,300.00
2050	—	17,159,600.00	—	—	—	—	—	—	—	17,159,600.00
2051	—	18,393,833.33	—	—	—	—	—	—	—	18,393,833.33
Total	<u>\$149,107,804.16</u>	<u>\$562,756,448.91</u>	<u>\$412,830,411.17</u>	<u>\$18,757,262.50</u>	<u>\$56,207,100.00</u>	<u>\$89,492,950.00</u>	<u>\$21,143,625.00</u>	<u>\$36,418,150.00</u>	<u>\$71,455,350.02</u>	<u>\$1,418,169,101.76</u>

(1) See “– 2000 Authorization General Obligation Bond Debt Service Schedule” herein.

(2) See “– 2006 Authorization General Obligation Bond Debt Service Schedule” herein, as well as the footnotes thereto.

(3) See “– 2010 Authorization General Obligation Bond Debt Service Schedule” herein, as well as the footnotes thereto.

(4) Includes debt service due on the 2016 Refunding Bonds, 2016C Refunding Bonds, 2016D Refunding Bonds, and 2016E Refunding Bonds on and prior to the 2016 Crossover Date, 2016C Crossover Date, 2016D Crossover Date, and 2016E Crossover Date, respectively. Prior to the respective crossover dates, debt service on such bonds will be secured by and payable solely from funds on deposit in the respective escrow funds established therefor from proceeds of such bonds. From and after the respective crossover dates, such bonds shall constitute general obligations of the District, payable solely from ad valorem property taxes.

Source: San Mateo Union High School District.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulation, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Bond will increase the Owner's basis in the Bond. Owners of Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Bonds.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in the Owner of a Bond realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. The Owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The federal tax and State of California personal income tax discussion set forth above with respect to the Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

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

LIMITATION ON REMEDIES; BANKRUPTCY

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to

payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See “THE BONDS – Security and Sources of Payment” herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of “special revenues” within the meaning of the Bankruptcy Code and the pledged ad valorem 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 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 should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of ad valorem tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

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

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

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Escrow Verification

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of the Refunded Bonds on the redemption date therefor, as well as the interest due thereon on and prior to such date.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners 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 eight months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2016-17 fiscal year (which is due no later than March 1, 2018), and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the annual report for fiscal year 2013-14 was not initially properly associated with certain of the 2000 Series C Bonds' CUSIPs and the 2014-15 annual report was not initially properly associated with certain of the 2010 Series 2011A Bonds' CUSIPs. Within such period, the District has failed to file in a timely manner certain notices of listed events. The District has retained Keygent LLC as its dissemination agent to assist it in preparing and filing the annual reports and notices of listed events required under its existing continuing disclosure obligations, as well as the undertaking entered into in connection with the Bonds.

Litigation

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

There are a small number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2016, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 9, 2016 of James Marta & Company LLP (the "Auditor"), are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon as APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinion

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

MISCELLANEOUS

Rating

Moody's has assigned the rating of "Aaa" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency, at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "LEGAL MATTERS - Continuing Disclosure" herein and "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the

date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of \$41,080,925.00 (which is equal to the principal amount of the Bonds of \$41,930,000.00, less net original issue discount of \$731,671.00, and less an underwriting discount of \$117,404.00).

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

Underwriter Disclosure. The Underwriter has provided the following disclosure for inclusion in this Official Statement: In October 2010, the Underwriter made a contribution to an organization in support of the District's Measure O bond authorization on the ballot of November 2010.

Additional Information

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

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

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

SAN MATEO UNION HIGH SCHOOL DISTRICT

By: /s/ Elizabeth McManus
Deputy Superintendent, Business Services

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

December 12, 2017

Board of Trustees
San Mateo Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$41,930,000 San Mateo Union High School District 2017 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, and a resolution (the "Resolution") adopted by the Board of Trustees of the San Mateo Union High School District (the "District") on October 26, 2017.
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").
4. Interest on the Bonds is exempt from State of California personal income tax.
5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

Except as expressly set forth in paragraphs (3), (4) and (5), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

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

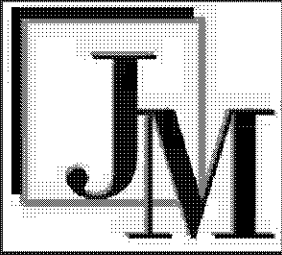
Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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SAN MATEO UNION HIGH SCHOOL DISTRICT

COUNTY OF SAN MATEO
SAN MATEO, CALIFORNIA

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

WWW.JPMCPA.COM

701 HOWE AVENUE, E 3
SACRAMENTO, CA

(916) 993-9494
(916) 993-9489 FAX

SAN MATEO UNION HIGH SCHOOL DISTRICT

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SAN MATEO UNION HIGH SCHOOL DISTRICT

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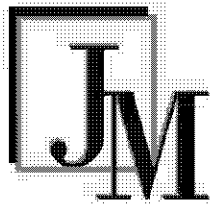
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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
San Mateo Union High School District
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo Union High School District (the "District"), as of and for the year ended June 30, 2016, 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, 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, the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual – General Fund, Schedule of Funding Progress Other Postemployment Benefit (OPEB), Schedule of Proportionate Share of Net Pension Liability and Schedule of 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 District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

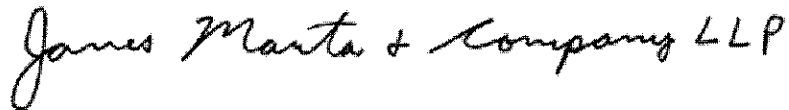
The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

Emphasis of Matter

As discussed in Note 10 to the financial statements, the District's June 30, 2015 net position has been restated to correct the capital assets balance. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The script is cursive and fluid.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

This annual report consists of three parts – Management's Discussion and Analysis, the basic Financial Statements, and the Required Supplementary Information. The first part is a discussion and analysis of San Mateo Union High School District's (the "District") financial performance and provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements section, which immediately follows this section.

FINANCIAL HIGHLIGHTS

State Budget Proposition 98

The adopted budget included Proposition 98 funding of \$68.4 billion, representing an increase of \$7.6 billion over the prior year. The Proposition 98 maintenance factor, an indicator of the past reductions made to schools and community colleges, totaled close to \$11 billion as recently as 2011-12. The maintenance factor was reduced to \$772 million.

State Budget Significant Adjustments

Local Control Funding Formula

The Local Control Funding Formula increased by \$6 billion, continuing the State's transition to the new funding formula. The formula earmarks funding for English language learners, students from low-income families, and youth in foster care. The increase closed the funding gap by more than 50%.

Career Technical Education

The State Budget provided a Career Technical Education Incentive Grant Program. It provided \$400 million, \$300 million and \$200 million in Proposition 98 General Fund resources in 2015-16, 2016-17 and 2017-18. School districts are required to provide local matching funds.

Educator Support

The State Budget included an increase of \$500 million one-time Proposition 98 General Fund resources for educator support.

Special Education

The State Budget included \$50.1 million in ongoing funding and \$10 million in one-time funding to implement selected programs.

K-12 Common Core High Speed Connectivity

The State Budget provided \$50 million in one-time Proposition Support funding for connectivity and infrastructure to implement the new tests associated with the Common Core.

K-12 Mandates

The State Budget provided an increase of \$3.2 billion in one-time Proposition 98 General Fund resources to reimburse K-12 educational agencies for the costs of state-mandated programs. These funds significantly decreased the outstanding mandate debt.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL HIGHLIGHTS (Continued)

K-12 Deferrals

The State Budget provided \$897 million in one-time Proposition 98 General Fund resources to eliminated deferrals consistent with the revenue trigger included in the 2014 Budget.

Adult Funding

The State Budget included \$500 million Proposition 98 General Fund resources for the Adult Education Block Grant program, which funded adult education administered by school districts and community colleges. The funds were distributed to the consortium and will be used according to the approved spending plan.

District Budget

- Property tax projections were greater than originally projected in the adopted budget. Secured property taxes were projected to increase by 8.0% from the prior year based on information provided by the San Mateo County Assessor's Office Assessed Valuation Tracker. The Annual Property Tax report published in July 2016 exhibited an increase in secured property taxes of 8.6% from the time the adopted budget was adopted. The adopted budget projected unsecured property tax revenues of \$5,732,189. The actual unsecured property tax revenues were \$5,865,525, 2.33% greater than the original projections. Furthermore the District anticipated receiving \$4,705,538 in tax increment from the dissolution of Redevelopment Agencies.
- In 2009, at the inception of the recession, the Board of Trustees implemented prudent measures by adopting a Basic Aid Reserve policy of 12 percent. The purpose was to safeguard the District against any unforeseen economic changes. Basic aid school districts must be prepared to immediately react to any changes in property tax collections due to refunds, changes in assessed valuation growth and changes in the economy. No safety net exists for a basic aid school district unless a policy is set to maintain a reserve for economic uncertainty. A higher than average reserve provides the necessary insulation. The average reserve for a basic aid school district is 14 percent. The District's reserve policy has been instrumental in obtaining and maintaining high bond ratings.

Some organizations recommend that the reserve for economic uncertainty be set at the current year difference between the District's basic aid revenues and the District's LCFF guarantee; this would need to be achieved over a long period of time. The revised Unrestricted Reserve for Economic Uncertainty is segmented into three tier components. The first tier is categorized as the state reserve for economic uncertainty which is set at 3.0 percent to align with the unrestricted general fund reserve for economic uncertainty outlined in the Education Code. Second tier and third tier components categorized as the Unrestricted Strategic Reserves are set at 4.5 percent respectfully. The purpose for the Unrestricted Strategic Reserve is to be able to have adequate time to address any unforeseen events such as unexpected increases in enrollment, changes in assessed valuation growth, adverse financial changes approved by the legislatures and other unexpected unique situations. Using the Unrestricted Strategic Reserve would require approval from the Board of Trustees. The total 12.0 percent Unrestricted Reserve for Economic Uncertainty would be based on the total expenditure budget including any transfer outs.

- The ending balance was composed of a 12.0 percent basic aid reserve of \$12,698,986, carry over program budgets of \$2,006,072 and a \$510,300 set aside to offset the anticipated 2015-16 deficit. Program carry over decreased by \$1,195,946 from the prior year. The decrease in program carry over was the result of spending down the Tier III categorical programs. These categorical program funds were eliminated with the State's implementation of the LCFF.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL HIGHLIGHTS (Continued)

District Bonds

- The District issued one series of bonds in 2015-16, the 2016 General Obligation Refunding Bonds (2021 Crossover). Proceeds from this bond sale in March 2016 were used to refinance portions of the District's 2006, Series 2011A Bonds and 2010, Series 2011A Bonds, saving taxpayers over \$2.8 million.
- In December, the District had its general obligation bond credit rating upgraded from Aa1 to AAA by Moody's. In March, the District had its credit rating updated for the aforementioned bond financing with both Moody's and Standard and Poor's and it maintained its stellar ratings of AAA and AA+ from Moody's and Standard and Poor's (S&P), respectively.
- In their ratings rationale, Moody's and S&P both noted the District's strong financial performance, strong local economy/wealth levels, and high property values. The District's credit ratings allow for aggressive interest rate pricing when the bonds are sold to investors and ultimately saves the taxpayers money.

District Bond Projects

- The District has rigid controls in place to safeguard the Measure M and Measure O Construction programs. All contractors have been pre-qualified and agree to abide by the District's Program Stabilization Agreement with local unions. The PSA has been a successful program as construction projects have been aggressively bid and completed on time and on budget. Each contract is scrutinized by the District staff as well as the Construction Manager and legal consultants. All pay applications are processed timely and with supporting backup documentation.
- The Measure M project list is substantially completed. The Aragon High School paving and drainage project was completed. The Board approved the funding of the CTE Biotech classroom and video production classroom project. This project was partially funded by a previous CTE grant.
- Two Measure O projects were completed. Open houses were held for the Burlingame High School new classroom building and the San Mateo High School brick building modernization. The San Mateo High School brick building modernization won a Leroy Green design award.
- A gas storage tank was removed from Capuchino High School.
- The San Mateo High School swimming pool was renovated.
- The roof on the music wing at San Mateo High School was completed.
- Air Conditioning was added to some classrooms in the San Mateo High School brick building.
- The California Environmental Quality Act (CEQA) study for the Hillsdale High School new classroom building was completed. The mitigated negative declaration and project were approved by resolution by the Board. The project went out for bid and construction is underway.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL HIGHLIGHTS (Continued)

- The stadium light and sound system project for Aragon High School, Capuchino High School, Hillsdale High School, Mills High School and San Mateo High School was approved by the Board. The CEQA study was completed and the final environmental impact report was certified by the Board. A new policy regarding the use of the lights and sound was developed and approved by the Board.
- After a thorough review of viable locations for the new District Office, the Board approved building a state of the art District Office at its current location.
- A property search was conducted for a centrally located facility that could house Maintenance, Technology and Student Nutrition departments. This will provide accessibility to all schools and better support. A criterion of the property attributes was developed. A viable property was identified and purchased.

Other District Fiscal Projects and Programs

- The Proposition 39 expenditure plan was approved by the Board of Trustees and submitted to the State Energy Commission.
- A Developer Fee Justification study was completed. The Board accepted the level 1 Developer Fee study and adopted the resolution to increase school developer fees for residential and commercial projects.
- The Adult Education College Career Educational Leadership (ACCEL) agreement was approved. The 2015–2016 academic year is a transformational one for Adult Education in California. In 2015–16, and for the foreseeable future, state funds for adult education will be distributed via a county adult education collaborative, Adult Education Block Grant (ASB 86) to member schools. Only member schools are eligible for state funds. During the 2014–2015 school year state planning money was provided to establish our collaborative. Now known as ACCEL, the San Mateo County group includes five adult schools (San Mateo, Sequoia, Jefferson, South San Francisco and Cabrillo) and the San Mateo Community College District (SMCCD) (Canada, CSM and Skyline Colleges).
- With the shortage of teachers and the cost of housing, the District began to investigate the feasibility of an employee housing project.
- State Education Effectiveness Funding Plan for 2015–16 provided \$743,602 of one-time funding.
- The District received \$1.13 M in the first year of a three year Career Technical Education (CTE) grant. The grant requires matching funds and the annual disbursement decreases over the three-year period. The State interest is that by year four each school district fully funds their CTE programs.
- An RFP for a new audit firm was conducted and a three-year contract was approved by the Board.
- Fund 12, the Child Development Fund, was closed and all residual balances were transferred to the General Fund.
- A major 3.7 megawatt solar photovoltaic (PV) project was approved by the Board of Trustees in December 2009. Construction began for Phase I and Phase II in 2010. Phase I was completed in 2011–12 and is performing above model projections. Phase II was completed in June 2013. Both phases are now installed and relief to the General Fund exceeds \$1.4 million annually without taking escalation factors into consideration. This capital facilities project allowed scarce resources from the educational budget to be re-allocated for other purposes.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL HIGHLIGHTS (Continued)

- The District's massive solar energy program was presented at the State Capitol as a model PV project. The District continues to provide assistance to other agencies regarding deployment of solar energy systems.
- With the implementation of both Phase I and Phase II solar photovoltaic arrays, the District is conducting an energy efficiency audit to continue to identify areas to improve efficiency.
- The District continues to receive from PG&E a portion of the \$6.1M California Solar Initiatives from the operation of the solar energy project.
- Design Technology Charter School is in its third year of operation. The school is based on design thinking and currently educates 425 freshmen, sophomores and juniors. The school resides in Burlingame in the previous Regional Occupational Program facility. In January of 2018, Design Tech will relocate to its new facility at the Oracle headquarters in Redwood Shores. At that time the school will reside within the boundaries of Sequoia Union High School. A change to the petition was approved, which allowed for utilization of strong corporate partnership and a change of location. A Memorandum of Understanding (MOU) with the Sequoia Union High School District was developed and approved by both Boards with the purpose of allowing the Charter to reside within its boundaries as well as an equitable sharing of operational costs.
- The District reorganized and consolidated its Maintenance, Operations and Facility Use departments for effectiveness and efficiency.
- The need for a Mental Health program was investigated. After a detailed study the Board approved implementation for the 2016-17 school year.
- The District represented educational agencies by participating on four Redevelopment Oversight Boards. The purpose of the Oversight Boards is to manage the assets, approve liabilities and oversee the dissolution of the dissolved redevelopment agencies and redirect tax increment to applicable public agencies. The Redevelopment Oversight Boards will dissolve in 2017-18.
- The District continues to investigate opportunities to share services with other private and public agencies to enhance revenues and/or reduce expenses. Several options were implemented providing financial benefits to the District. These options included providing mechanical services, transportation services and collecting developer fees for other agencies.
- The District continues installation of card key systems in portions of each high school. An access control system improves safety for staff and students and protects high-value assets. Access to restricted areas is controlled, which provides protection for students and staff and allows for management of visitor, contractor and temporary staff access.
- Fiscal Services and Human Resources met regularly to develop work calendars, position control procedures, review staffing changes, and system modifications.
- District enrollment remained stable with minor changes experienced between years. Total ADA for the District is 8,104, an increase of 219 ADA, or 2.8%, over the prior year.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

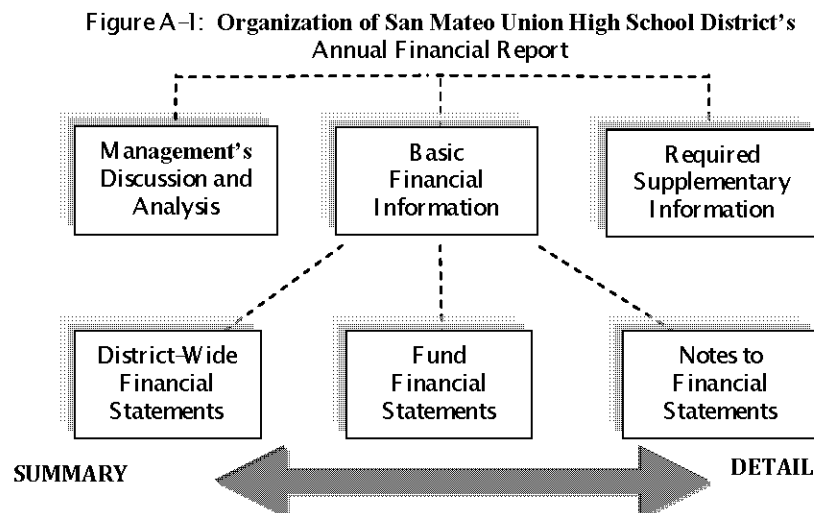
- The District negotiated a 3.5 percent salary schedule increase with all bargaining units. The District also subtracted 1.5 certificated positions and added 13.6 classified positions. There was no change to management positions between the adopted budget and the Second Interim Report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The second part of the annual report consists of the basic financial statements and includes two kinds of statements that present different views of the District:

- The first two statements are District-Wide financial statements that provide both short-term and long-term information about the District's overall financial status
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-Wide financial statements.
 - The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The remainder of this overview section of Financial Statements highlights the structure and contents of each of the statements.

District-Wide Statements

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

The two District-Wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or position.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-Wide financial statements, the District's activities are categorized as Governmental Activities. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-Wide statements, the District provides additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. The District excludes these activities from the District-Wide financial statements because the District cannot use these assets to finance its operations.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position, as of June 30, 2016, was \$(16,986,628), reflecting a decrease of 255.9%.

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percentage %</u>
Assets:				
Current Assets	\$ 219,944,527	\$ 212,744,731	\$ (7,199,796)	-3.3%
Capital Assets, Net	<u>540,051,868</u>	<u>531,751,029</u>	<u>(8,300,839)</u>	<u>-1.5%</u>
Total Assets	<u>759,996,395</u>	<u>744,495,760</u>	<u>(15,500,635)</u>	<u>-2.0%</u>
Deferred Outflows of Resources	<u>28,193,449</u>	<u>18,280,489</u>	<u>9,912,960</u>	<u>35.2%</u>
Liabilities:				
Current Liabilities	14,590,546	19,293,072	4,702,526	32.2%
Long-term Liabilities	<u>739,204,926</u>	<u>722,735,470</u>	<u>(16,469,456)</u>	<u>-2.2%</u>
Total Liabilities	<u>753,795,472</u>	<u>742,028,542</u>	<u>(11,766,930)</u>	<u>-1.6%</u>
Deferred Inflows of Resources	<u>23,499,768</u>	<u>37,734,335</u>	<u>(14,234,567)</u>	<u>-60.6%</u>
Net Position:				
Net Investment in Capital Assets	82,809,656	32,999,376	(49,810,280)	-60.2%
Restricted	55,062,386	41,863,013	(13,199,373)	-24.0%
Unrestricted	<u>(126,977,438)</u>	<u>(91,849,017)</u>	<u>35,128,421</u>	<u>27.7%</u>
Total Net Position	<u>\$ 10,894,604</u>	<u>\$ (16,986,628)</u>	<u>\$ 27,881,232</u>	<u>-255.9%</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

Changes in net position, governmental activities

The District's total revenues increased 6.6% to \$191,393,796. The increase is due primarily to an increase in Taxes and Subventions Revenue of \$11,471,648.

The total cost of all programs and services increased 16.6% to \$217,682,681. The District's expenses are predominantly related to educating and caring for students (52.7%). The purely administrative activities of the District accounted for 3.6% of total costs. A significant contributor to the increase in costs was an increase in Depreciation and Other Expenses.

Table A-2: Condensed Statement of Activities

	2015	2016	C hange	Percentage %
Revenues:				
Charges for Services	\$ 940,110	\$ 865,310	\$ (74,800)	-8.0%
Operating Grants & Contributions	18,774,793	19,670,850	896,057	4.8%
Capital Grants & Contributions	2,435,040	13,804	(2,421,236)	-99.4%
Federal & State Aid, not restricted for specific purposes	7,566,364	9,353,026	1,786,662	23.6%
Taxes and Subventions	141,055,798	152,527,446	11,471,648	8.1%
Interest & Investment Earnings	1,309,063	1,321,609	12,546	1.0%
Other General Revenues	7,513,648	7,641,751	128,103	1.7%
Total Revenues	179,594,816	191,393,796	11,798,980	6.6%
Expenses:				
Instruction	68,596,215	81,005,067	12,408,852	18.1%
Instruction Related Services	16,225,069	18,961,636	2,736,567	16.9%
Pupil Services	14,622,109	14,701,747	79,638	0.5%
General Administration	6,486,455	7,932,653	1,446,198	22.3%
Plant Services	18,006,441	18,364,383	357,942	2.0%
Interest on Long-Term Debt	38,157,596	21,751,415	(16,406,181)	-43.0%
Depreciation (unallocated)	13,396,699	27,418,284	14,021,585	104.7%
Other Expenses	11,184,234	27,547,496	16,363,262	146.3%
Total Expenses	186,674,818	217,682,681	31,007,863	16.6%
Change in Net Position	\$ (7,080,002)	\$ (26,288,885)	\$ 19,208,883	-271.3%

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$199,757,853, which is a decrease of \$10,593,915 from the fund balance as of June 30, 2015. The primary cause of the decrease is related to spending of Measure M and O funds on bond projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had a capital assets balance of \$531,751,029, a decrease of \$6,708,492 from the balance as of June 30, 2015, as accumulated depreciation grew at a higher rate than acquisitions and improvements. (More detailed information about capital assets can be found in Note 4 to the financial statements).

Table A-3: Capital Assets, Net of Depreciation

	2015	2016
Land	\$ 3,693,384	\$ 3,693,384
Work-in-Progress	78,722,394	22,816,332
Buildings	219,761,961	224,580,715
Improvement of Sites	424,617,840	495,416,995
Equipment	6,384,716	7,382,661
Subtotals	<u>733,180,295</u>	<u>753,890,087</u>
Less: Accumulated Depreciation	<u>(194,720,774)</u>	<u>(222,139,058)</u>
Capital Assets, net	<u><u>\$ 538,459,521</u></u>	<u><u>\$ 531,751,029</u></u>

Long-Term Debt

At year-end the District had \$722,735,470 in long-term debt outstanding, an increase of \$14,865,432. The increase can be mainly attributed to an increase in net pension liability of \$18,761,880. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

Table A-4: Outstanding Long-Term Debt

	2015	2016
Bonds Payable	\$ 557,523,058	\$ 543,632,242
Accreted Interest	62,225,849	72,302,403
Net Pension Liability	87,432,589	106,194,469
Accumulated Vacation	688,542	606,356
Total	<u><u>\$ 707,870,038</u></u>	<u><u>\$ 722,735,470</u></u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget Proposition 98

The State Budget included Proposition 98 funding of \$71.9 billion for 2016-17. This represents an increase of \$3.5 billion over the 2015-16 Budget Act. When combined with increases of \$1.5 billion in 2014-15 and 2015-16, as well as other one-time savings and adjustments in those years, the State Budget provides a \$5.9 billion increase in K-14 education. Since 2011-12, Proposition 98 funding for K-12 education has grown by more than \$21.7 billion. This translates into an increase of \$3,600 per student.

State Budget Significant Adjustments

- Local Control Funding Formula-Funding for the Local Control Funding Formula increased by more than \$2.9 billion to further achieve the funding target.
- \$200 million in one-time Proposition 98 General Fund resources were allocated for the College Readiness Block Grant. The purpose of the grant is to provide additional services that support access and successful transition to higher education. These funds must be spent over the next three years. The allocation was based on the number of students in grades 9 through 12 that are English –learners, low-income, or foster youth.
- \$24 million in one-time Proposition 98 General Fund resources was allocated to California Collaborative for Educational Excellence. This program supports statewide professional development training based on the use of evaluation rubrics by local educational agencies and implements a pilot program to advise local educational agencies in improving student outcomes.
- \$20 million one-time Proposition 98 General Fund resources were allocated to Multi-Tiered Systems of Support. The purpose is to provide support service to address academic, behavioral, social and emotional needs.
- \$18 million in one-time Proposition 98 General Fund resources was allocated for Restorative Justice Grants. The purpose of these grants is for truancy and dropout prevention.
- \$1.3 billion one-time Proposition 98 General Fund resource was allocated for K-12 Mandated Costs to reimburse K-12 local educational agencies for state-mandated programs. These funds substantially reduce the debt owed by the state to local educational agencies.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

District Budget

- The District experienced a decade of stagnant or declining student enrollment. This trend has changed and enrollment is increasing and is anticipated to do so for the next decade. This will require additional staff, supplies, utilities, etc.
- Increased CalSTRS and CalPERS Employer Contribution Rates are set to increase gradually over the next several years. This will be an extra expense to both the District and its employees.

CALPERS CONTRIBUTION RATES								
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Classic PERS Employee Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
PEPRA New PERS Employee Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
District Contribution Rate	11.442%	11.771%	11.847%	13.888%	15.5%	17.1%	18.6%	19.8%

CALSTRS CONTRIBUTION RATES								
	Past	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
2% @ 60 Employee Rate	8.00%	8.15%	9.20%	10.25%	10.25%	10.25%	10.25%	10.25%
2% @ 62 Employee Rate	8.00%	8.15%	8.560%	9.205%	9.205%	9.205%	9.205%	9.205%
District Contribution Rate	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

- The State continues to allocate one-time revenues to school districts. The District currently has several programs supporting various programs including CTE Incentive and Educator Effectiveness. Funding for these programs is not on-going and when the program sunsets, the District will need to eliminate the expenditures or eliminate other expenditures.
- Special Education encroachment expanded due to increased mental health needs, legal fees and unforeseen settlements. The challenges for Special Education extend to identifying who is covered (child find) and private placement by parents. Another area of concern is that there is a steady increase in students with mental health issues. Finding qualified support staff in a booming economy continues to be an issue and some district coordination is lacking in regards to Response to Intervention and Instruction (RtI2). Disproportionality is an emerging trend. This is our first year of being identified as disproportionate because of an increase in White and African American students found eligible under Emotional Disturbance. The programs that serve our students: site-based programs, county placed students, Non-Public School (NPS) placed students, expelled student placement (Gateway or NPS) and Residential. The District is looking at having a district-wide uniform RtI2 model, increasing mental health support, inclusion opportunities at all sites for students with disabilities, improving the rigor of Specialized Academic Instruction alignment with Common Core and implementation of IDEA Para-educator standards to support inclusion.

All of these factors were considered in preparing the San Mateo Union High School District budget for the 2016-17 fiscal year and will continue to be monitored throughout the fiscal year as the District prepares its Multi-Year Projections and cash flow forecasts.

In 2015-2016, the District General Fund had excess expenditures over appropriations, in which the budget was not revised, for the following expense classifications: classified salaries, employee benefits, services and other operating expenditures and capital outlay. The excess expenditures were funded by greater than anticipated total revenues in the General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and manages. If you have any questions about this report or need additional financial information, please contact:

Elizabeth McManus
Deputy Superintendent Business Services
(650) 558-2204
November 26, 2016

FINANCIAL SECTION

SAN MATEO UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 207,334,066
Receivables	5,200,952
Inventories	35,861
OPEB asset	173,852
Capital assets, net of accumulated depreciation	<u>531,751,029</u>
Total Assets	<u>744,495,760</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding of bonds	1,001,740
Deferred outflows of resources relating to pensions (note 6)	<u>17,278,749</u>
Total deferred outflows	<u>18,280,489</u>
LIABILITIES	
Accounts payable and other current liabilities	17,995,008
Unearned revenue	1,298,064
Long-term liabilities:	
Due within one year	15,849,999
Due in more than one year	<u>706,885,471</u>
Total Liabilities	<u>742,028,542</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred bond premium revenue	30,253,065
Deferred inflows on pensions (note 6)	<u>7,481,270</u>
Total deferred inflows	<u>37,734,335</u>
NET POSITION	
Net investment in capital assets	32,999,376
Restricted	41,863,013
Unrestricted	<u>(91,849,017)</u>
Total Net Position	<u>\$ (16,986,628)</u>

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

SAN MATEO UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 81,005,067	\$ 27,799	\$ 8,170,232	\$ 13,804	\$ (72,793,232)
Instruction –related services:					
Instructional supervision	7,915,421	2,243	1,994,936	–	(5,918,242)
Instructional library, media and technology	3,732,804	1,086	150,317	–	(3,581,401)
School site administration	7,313,411	11,319	1,371,779	–	(5,930,313)
Pupil Services:					
Home-to-school transportation	2,011,245	–	2,683	–	(2,008,562)
Food services	1,733,346	766,850	723,717	–	(242,779)
All other pupil services	10,957,156	24	369,483	–	(10,587,649)
General administration	7,932,653	37,550	137,435	–	(7,757,668)
Plant services	18,364,383	3,974	399,685	–	(17,960,724)
Ancillary services	4,231,468	–	100,049	–	(4,131,419)
Community services	95,029	–	–	–	(95,029)
Enterprise activities	1,581,285	–	–	–	(1,581,285)
Interest on long-term debt	21,751,415	–	–	–	(21,751,415)
Other outgo	21,639,714	14,465	6,250,534	–	(15,374,715)
Depreciation (unallocated)	27,418,284	–	–	–	(27,418,284)
Total governmental activities	<u>\$ 217,682,681</u>	<u>\$ 865,310</u>	<u>\$ 19,670,850</u>	<u>\$ 13,804</u>	<u>(197,132,717)</u>
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					118,108,250
Taxes levied for debt service					31,321,070
Taxes levied for other specific purposes					3,098,126
Federal and state aid not restricted to specific purposes					9,353,026
Interest and investment earnings					1,321,609
Interagency revenues					492,599
Miscellaneous					7,149,152
Total general revenues					<u>170,843,832</u>
Change in net position					(26,288,885)
Net Position, July 1, 2015					10,894,604
Prior period adjustments (Note 10)					(1,592,347)
Net Position –July 1, 2015, as restated					<u>9,302,257</u>
Net Position, June 30, 2016					<u>\$ (16,986,628)</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Building Fund	Bond Interest And Redemption Fund	All Non-Major Funds	Total
ASSETS					
Cash and cash equivalents	\$ 31,915,181	\$ 117,182,992	\$ 34,233,634	\$ 24,002,259	\$ 207,334,066
Accounts receivable	4,199,164	325	67,988	147,610	4,415,087
Stores	35,861	-	-	-	35,861
Due from other funds	682,195	3,098,126	-	830,032	4,610,353
Total assets	<u>\$ 36,832,401</u>	<u>\$ 120,281,443</u>	<u>\$ 34,301,622</u>	<u>\$ 24,979,901</u>	<u>\$ 216,395,367</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 6,849,940	\$ 2,757,038	\$ -	\$ 1,122,119	\$ 10,729,097
Unearned revenue	1,104,918	-	-	193,146	1,298,064
Due to other funds	3,923,126	18	-	687,209	4,610,353
Total Liabilities	<u>11,877,984</u>	<u>2,757,056</u>	<u>-</u>	<u>2,002,474</u>	<u>16,637,514</u>
Fund balances					
Nonspendable	55,861	-	-	-	55,861
Restricted	2,170,793	-	34,301,622	5,390,598	41,863,013
Committed	18,494,767	117,524,387	-	17,586,829	153,605,983
Unassigned	4,232,996	-	-	-	4,232,996
Total Fund Balance	<u>24,954,417</u>	<u>117,524,387</u>	<u>34,301,622</u>	<u>22,977,427</u>	<u>199,757,853</u>
Total liabilities and fund balances	<u>\$ 36,832,401</u>	<u>\$ 120,281,443</u>	<u>\$ 34,301,622</u>	<u>\$ 24,979,901</u>	<u>\$ 216,395,367</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total fund balances –governmental funds		\$	199,757,853
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets at historical cost:	\$	753,890,087	
Accumulated depreciation:		(222,139,058)	
Net:			531,751,029
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefit costs are recognize din the period they are incurred. The net OPEB asset at the end of the period was:			
			173,852
In governmental funds, interest subsidies received from Build America Bonds and Qualified School Construction Bonds are recognized in the period they are received. In the government-wide statements, they are recognized in the period they are earned. The additional receivable for interest subsidies earned at the end			
			785,865
Unamortized costs: In governmental funds, debt issue costs and premiums are recognized in the period they are incurred. In the government-wide statements, debt issue costs and premiums are amortized over the life of the debt. Unamortized debt issue costs and premiums included in deferred inflows and outflows on the statement of net position are:			
Unamortized portion of bond premiums			(30,253,065)
Unamortized portion of loss on refunding of bonds			1,001,740
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owing at the end of the period was:			
			(7,265,911)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General Obligation Bonds Payable	\$	(543,632,242)	
Accreted Interest on General Obligation Bonds Payable		(72,302,403)	
Compensated absences payable		(606,356)	
Net Pension Liability		(106,194,469)	
			(722,735,470)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension are reported.			
Deferred outflows of resources relating to pensions			17,278,749
Deferred inflows of resources relating to pensions			(7,481,270)
Total net position, governmental activities:	\$		<u>(16,986,628)</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Bond Interest And Redemption Fund	All Non-Major Funds	Total
REVENUES					
LCFF sources	\$ 120,851,140	\$ -	\$ -	\$ 750,000	\$ 121,601,140
Federal revenue	2,505,830	-	2,391,506	1,086,626	5,983,962
Other state revenues	11,569,667	-	138,586	6,736,711	18,444,964
Other local revenues	6,001,637	4,987,523	31,400,798	2,973,770	45,363,728
Total revenues	140,928,274	4,987,523	33,930,890	11,547,107	191,393,794
EXPENDITURES					
Certificated salaries	55,944,002	-	-	2,680,261	58,624,263
Classified salaries	22,237,346	34,143	-	1,869,395	24,140,884
Employee benefits	28,296,053	3,811	-	1,475,899	29,775,763
Books and supplies	7,947,310	620,015	-	1,041,738	9,609,063
Services and other operating expenditures	18,733,454	563,994	10,325	899,971	20,207,744
Capital outlay	523,403	19,788,012	-	349,529	20,660,944
Other outgo	3,828,269	-	-	1,283,252	5,111,521
Debt service, principle	-	-	12,699,400	-	12,699,400
Debt service, interest	-	-	21,339,232	-	21,339,232
Total expenditures	137,509,837	21,009,975	34,048,957	9,600,045	202,168,814
Excess (deficiency) of revenues over expenditures	3,418,437	(16,022,452)	(118,067)	1,947,062	(10,775,020)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	35,031	1,750,000	-	1,435,031	3,220,062
Operating transfers out	(3,185,031)	-	-	(35,031)	(3,220,062)
Proceeds from debt issuance	-	12,550,000	946,493	-	13,496,493
Other uses	-	(12,368,895)	(946,493)	-	(13,315,388)
Total other financing sources (uses)	(3,150,000)	1,931,105	-	1,400,000	181,105
Net change in fund balances	268,437	(14,091,347)	(118,067)	3,347,062	(10,593,915)
Fund balances, July 1, 2015	24,685,980	131,615,734	34,419,689	19,630,365	210,351,768
Fund balances, June 30, 2016	\$ 24,954,417	\$ 117,524,387	\$ 34,301,622	\$ 22,977,427	\$ 199,757,853

SAN MATEO UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total net change in fund balances –governmental funds		\$ (10,593,915)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
	Expenditures for capital outlay:	\$ 20,709,792
	Depreciation expense:	<u>(27,418,284)</u>
		(6,708,492)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
		26,440,816
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from were:		
		(12,550,000)
Accreted interest: In governmental funds, accreted interest on capital appreciation bonds and bond anticipation notes is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest incurred exceeded amounts paid during the year by:		
		(10,076,554)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		
		11,945,809
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		
		82,186
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs and actual employer contributions was:		
		(70,870)
Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		
		(6,591,673)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:		
	Amortization of deferred inflows relating to loss from debt refunding	\$ (19,248,015)
	Amortization of deferred outflows relating to debt issue premium	<u>1,081,823</u>
		(18,166,192)
Total change in net position –governmental activities		<u>\$ (26,288,885)</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2016

	<u>Student Body Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,098,866
Interest receivable	<u>2,511</u>
Total assets	<u>\$ 1,101,377</u>
LIABILITIES	
Due to student groups	\$ 1,013,399
Accounts payable	<u>87,978</u>
Total liabilities	<u>\$ 1,101,377</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Mateo Union High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. REPORTING ENTITY

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For San Mateo Union High School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The San Mateo Union High School District Building Corporation (the Corporation) financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted. Restricted net position are further classified as either net position restricted by enabling legislation or net assets that are otherwise restricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

D. FUND ACCOUNTING (Continued)

The District funds are as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects. The Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources, and does not meet the definition of a special revenue fund under GASB 54, therefore, activity in the fund is being reported within the General 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.

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:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

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.

The Adult Education Fund is used to account separately for Federal, State, and local revenues to operate adult education programs and is to be used only for expenditures for the operation of adult education programs.

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).

The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582–17587) and for items of maintenance approved by the State Allocation Board.

The Foundation Special Revenue fund is used to account for resources received from local donations.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

D. FUND ACCOUNTING (Continued)

The Capital Project Funds are used to account for and report 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).

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).

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

The Special Reserve Fund for Capital Outlay Projects Fund is used to account for funds set aside for Board designated construction projects.

The Foundation Permanent Fund is used to account for permanently restricted 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 includes Trust and agency funds. The District maintains the following fiduciary fund:

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include Associate Student Body that accounts for student body activities (ASB) and Foundation Fund. The District uses agency funds for student body funds to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body. These funds' activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are custodial in nature and do not involve measurement of results of operations. Accordingly, the District presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

E. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

During the year, budget revisions by the District's governing board and district superintendent give consideration to unanticipated revenue and expenditures. The final revised budgets are presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by major object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The budgets are revised during the year by the District's Board of Education and District Superintendent to provide for unanticipated revenues and expenditures.

F. ENCUMBRANCES

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

G. 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.

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.

Under the modified accrual basis, 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.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

H. UNEARNED REVENUE

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

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

I. 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 (expenditures) 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 entity-wide statements.

J. INVESTMENT VALUATION AND INCOME RECOGNITION

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

K. 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 balances for purposes of the statement of cash flows.

L. INVESTMENTS

Investments held at June 30, 2016, 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.

M. RECEIVABLES

Receivables consist of amounts due from the federal and state governments related to federal and state programs. The District has not established an allowance for doubtful accounts, due to the nature of these accounts. However, management continually monitors the accounts for collectability. The District does not charge interest on past due accounts.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

N. STORES INVENTORIES

Inventories in the General Fund consist mainly of consumable supplies held for future use. Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

O. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of \$25,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expenses as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	2 – 15 years
Vehicles	7 years

P. 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.

Q. COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

R. 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.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

S. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

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

T. FUND BALANCE

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g. inventories and prepaids) or that are legally or contractually required to be maintained intact. The District has classified its revolving cash account as being nonspendable as it is required to be maintained intact.

Restricted: This classification includes amounts constrained to specific purposes by their providers or by law. The District has classified federal and state categorical programs as being restricted because their use is restricted by Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants.

Committed: This classification includes amounts constrained to specific sources by the Board. For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period of June 30, although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

Assigned: This classification includes amounts which the Board or its designee intends to use for a specific purpose but are neither restricted nor committed. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: This classification represents fund balance that has not been restricted, committed, or assigned and may be utilized by the district for any purpose.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance as appropriate, then from committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

T. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

U. RESTRICTED NET POSITION

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 restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restrictions on special revenues and capital projects represent the portion of net position for the special revenue and capital projects funds. The restriction for debt service represents the amount to be used for the repayment of long-term liabilities. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

V. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are primarily interfund insurance premiums. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

W. INTERFUND ACTIVITY

Transfers between governmental activities 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.

X. 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.

Y. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

Z. 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 San Mateo Union High School District's California Public Employees' Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

AA. MINIMUM FUND BALANCE POLICY

Pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures.

The Board of Trustees directs the maintenance of no less than a 12 percent Unrestricted General Fund Reserve for Economic Uncertainty. The Unrestricted General Fund Reserve for Economic Uncertainty will be composed of two elements:

- The first element will be composed of a 3% Unrestricted Reserve for Economic Uncertainty, and will be categorized as basic reserve and will align to the level set by the State for the Unrestricted Reserve for Economic Uncertainty.
- The second element will be composed of a 9% Unrestricted Strategic Reserve for Economic Uncertainty.

The total 12 percent Unrestricted General Fund Reserve for Economic Uncertainty will be achieved over a period of time by incrementally growing the unrestricted reserve. The Board intends to adjust its Unrestricted General Fund Reserve for Economic Uncertainty to align to a level comparable to other basic aid school districts.

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.

BB. PROPERTY TAX CALENDAR

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

1. CASH AND EQUIVALENTS

Cash at June 30, 2016 consisted of the following:

	Governmental Activities	Fiduciary Activities	Total
Cash in county treasury	\$ 207,305,721	\$ 1,098,866	\$ 208,404,587
Cash in revolving fund	20,000	-	20,000
Cash on hand and in banks	8,345	-	8,345
Total Cash and Cash Equivalents	<u>\$ 207,334,066</u>	<u>\$ 1,098,866</u>	<u>\$ 208,432,932</u>

Cash in Bank and Revolving Funds

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Mateo County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the San Mateo County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the San Mateo County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 387 days. The pool is rated AA by Standard and Poor's.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2016 are as shown on the following page.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

2. CASH AND EQUIVALENTS (CONTINUED)

Description	Level 1	Level 2	Level 3	Total
US Agency, Treasury & Municipal Notes (USATM):				
US Agency Notes:				
Notes/Discount Notes FFCB	\$ 2,071,645	\$ –	\$ –	\$ 2,071,645
Notes/Discount Notes FHLB	114,639,440	–	–	114,639,440
Notes/Discount Notes FNMA	3,713,263	–	–	3,713,263
US Treasury Notes:	16,262,125	–	–	16,262,125
Repurchase Agreements	15,366,107	–	–	15,366,107
Corporate Bonds	17,740,976	–	–	17,740,976
Corporate Stocks	15,107,301	–	–	15,107,301
Commercial Paper	–	20,050,672	–	20,050,672
Certificates of Deposit	–	460,408	–	460,408
LAIF	1,765,664	1,226,987	–	2,992,650
Total	<u>\$ 186,666,521</u>	<u>\$ 21,738,066</u>	<u>\$ –</u>	<u>\$ 208,404,587</u>

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in anyone issuer. At June 30, 2016, the District had no concentration of credit risk.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables

As of June 30, 2016, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund		
General Fund	\$ 682,195	\$ 3,923,126
Building Fund	3,098,126	18
Non-major Funds		
Adult Education Fund	-	390,448
Child Development Fund	5,032	-
Cafeteria Fund	50,000	291,496
Special Reserve for Capital Outlay Fund	<u>775,000</u>	<u>5,265</u>
Total	<u>\$ 4,610,353</u>	<u>\$ 4,610,353</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2015-2016 fiscal year are as follows:

Transfer from General Fund to the Cafeteria Fund for direct support of student nutrition services	\$ 250,000
Transfer from General Fund to the Deferred Maintenance Fund to set aside funds for maintenance projects	375,000
Transfer from General Fund to the Special Reserve Fund for Capital Outlay Projects to set aside funds for maintenance projects	810,031
Transfer from General Fund to the Building Fund for maintenance endowment	1,750,000
Transfer from the Child Development Fund to the General Fund to close the Child Development Fund	<u>35,031</u>
Total transfers	<u>\$ 3,220,062</u>

During the 2015-16 fiscal year, the District made an interfund transfer of \$404,983 from the General Fund to the Special Reserve Fund for Other Than Capital Outlay Projects. In accordance with GASB Statement No. 54, the Special Reserve Fund for Other Than Capital Outlay Projects is reported within the General Fund in these financial statements, therefore, all interfund activity has been removed from the fund financial statements.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Additions / Transfers In	Deletions / Transfers Out	Balance June 30, 2016
Non-depreciable assets:				
Land	\$ 3,693,384	\$ -	\$ -	\$ 3,693,384
Work in Progress	78,722,394	3,134,614	59,040,676	22,816,332
	<u>82,415,778</u>	<u>3,134,614</u>	<u>59,040,676</u>	<u>26,509,716</u>
Depreciable assets:				
Buildings	219,761,961	4,818,754	-	224,580,715
Improvement of Sites	424,617,840	70,799,155	-	495,416,995
Equipment	6,384,716	997,945	-	7,382,661
	<u>650,764,517</u>	<u>76,615,854</u>	<u>-</u>	<u>727,380,371</u>
Totals, at cost	<u>733,180,295</u>	<u>79,750,468</u>	<u>59,040,676</u>	<u>753,890,087</u>
Accumulated depreciation:				
Buildings	(131,145,254)	(2,830,596)	-	(133,975,850)
Improvement of Sites	(60,364,206)	(24,152,783)	-	(84,516,989)
Equipment	(3,211,314)	(434,905)	-	(3,646,219)
	<u>(194,720,774)</u>	<u>(27,418,284)</u>	<u>-</u>	<u>(222,139,058)</u>
Depreciable assets, net	<u>456,043,743</u>	<u>49,197,570</u>	<u>-</u>	<u>505,241,313</u>
Capital Assets, net	<u>\$ 538,459,521</u>	<u>\$ 52,332,184</u>	<u>\$ 59,040,676</u>	<u>\$ 531,751,029</u>

The entire amount of depreciation expense was unallocated in the Statement of Activities.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

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

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
General Obligation Bonds					
Principal payments	\$ 557,523,058	\$ 12,550,000	\$ 26,440,816	\$ 543,632,242	\$ 13,379,298
Accreted interest	62,225,849	12,342,155	2,265,601	72,302,403	2,470,701
Net Pension Liability	87,432,589	18,761,880	-	106,194,469	-
Accumulated Vacation	688,542	-	82,186	606,356	-
Subtotal	707,870,038	43,654,035	28,788,603	722,735,470	15,849,999
Unamortized General Obligation Bond Premium	31,334,888	-	1,081,823	30,253,065	-
Unamortized Loss on Refunding	(20,249,755)	-	(19,248,015)	(1,001,740)	-
Total Long-Term Obligation	718,955,171	43,654,035	10,622,411	751,986,795	15,849,999

General Obligation Bonds

Measure D

An election was held on November 7, 2000, at which more than two-thirds of the voters in the District authorized the issuance and sale of \$137.5 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were for the purpose of constructing a number of projects within the District.

2004 Refunding

The District issued \$55,960,000 of Refunding Bonds in 2004-05. The net proceeds were placed into an escrow fund for the purpose of paying off the District's outstanding Series A bonds. No deferred amounts on refunding remain outstanding as of June 30, 2016.

Measure M

An election was held on November 7, 2006, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$298 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to finance the costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities and to pay costs of issuance associated with the bonds.

A portion of the bonds, issued as Series 2010B, were designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2010B Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

5. LONG-TERM LIABILITIES (CONTINUED)

Measure O

On November 2, 2010, an election was held of the registered voters of the District, at which more than fifty five percent of the voters voting on the proposition approved the issuance and sale of \$186 million principal amount of General Obligation Bonds. The bonds are being issued to 1) prepay the District's 2007 Certificates of Participation, 2) to finance the costs of renovating, acquiring, constructing, repairing, and equipping of District buildings and other facilities and 3) to pay certain costs of issuance associated with the bonds.

2012 General Obligation Refunding Bonds, Series A

On February 13, 2012, the District issued \$10,835,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 2.0 to 4.0 percent with annual maturities from September 2012 through September 2022. The net proceeds of \$12,205,678 (after issuance costs of \$141,341 and original issue premium of \$1,512,020) were used to refund a portion of the District's outstanding General Obligation Bonds, Election of 2000, Series C.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of \$241,089 remain to be amortized. As of June 30, 2016, the entire amount has been repaid on the defeased debt.

2012 General Obligation Refunding Bonds, Series B

On November 7, 2012, the District issued \$38,940,000 of General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 0.478 to 3.22 percent with annual maturities from September 2013 through September 2024. The net proceeds of \$38,615,677 (after issuance costs of \$188,033 and underwriter's discount of \$136,290) were used to refund a portion of the District's outstanding General Obligation Bonds, 2004 Refunding.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. No deferred amounts on refunding remain to be amortized. As of June 30, 2016, the entire amount has been repaid on the defeased debt.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

5. LONG-TERM LIABILITIES (CONTINUED)

2014 Refunding General Obligation Bonds

On November 13, 2014, the District issued \$50,190,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from September 1, 2015 through September 1, 2032. The net proceeds of \$60,583,437 (after premiums of \$10,751,678 and issuance costs of \$358,241) were used to prepay a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series 2008 A.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2016, of \$404,968 remain to be amortized for this refunding. As of June 30, 2015, the principal balance outstanding on the defeased debt amounted to \$53,605,000.

2016 General Obligation Refunding Bonds (2021 Crossover)

On March 24, 2016, the District issued \$12,550,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from September 1, 2022 through September 1, 2034. The net proceeds of \$13,315,388 (after premiums of \$946,493 and issuance costs of \$181,105) were used to prepay a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series 2011 A and Election of 2010 General Obligation Bonds, Series 2011 A.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2015, of \$355,683 remain to be amortized for this refunding. As of June 30, 2016, the principal balance outstanding on the defeased debt amounted to \$13,741,416.

The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of \$362,210.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

5. LONG-TERM LIABILITIES (CONTINUED)

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2015	Additions	Deductions	Advance Refunding	Balance, June 30, 2016
Measure D:									
2000B	7/24/2002	2027	2.0% - 5.69%	\$ 49,996,152	\$ 28,514,192	\$ -	\$ 2,322,033	\$ -	\$ 26,192,159
2000C	3/4/2004	2029	2.0% - 5.32%	27,503,798	12,658,798	-	-	-	12,658,798
Measure M:									
2008A	6/18/2008	2032	4.0% - 5.0%	62,700,000	3,580,000	-	600,000	-	2,980,000
2010A	2/17/2010	2018	5.0% - 5.5%	4,890,000	2,415,000	-	340,000	-	2,075,000
2010B	2/17/2010	2034	4.6% - 6.15%	65,110,000	65,110,000	-	-	-	65,110,000
2011A	7/6/2011	2051	2.0% - 7.0%	34,999,364	34,172,870	-	485,000	8,973,948	24,713,922
2011A-I	7/14/2011	2027	5.01%	25,000,000	22,860,000	-	1,300,000	-	21,560,000
2012A	2/13/2012	2039	4.0% - 12.0%	10,895,752	9,941,692	-	538,519	-	9,403,173
2013A	12/20/2013	2031	4.0% - 5.0%	94,400,576	94,400,576	-	193,190	-	94,207,386
Measure O:									
2011A	6/15/2011	2041	2.23% - 6.7%	89,999,989	89,999,989	-	30,657	4,767,468	85,201,864
2013A	12/20/2013	2041	4.0% - 5.0%	39,999,941	39,999,941	-	1,880,000	-	38,119,941
2015A	5/19/2015	2034	2.0% - 5.0%	56,000,000	56,000,000	-	-	-	56,000,000
Refunding Issues:									
2004	9/30/2004	2014	2.0% - 3.625%	55,960,000	-	-	-	-	-
2012A	2/13/2012	2022	2.0% - 4.0%	10,835,000	10,445,000	-	870,000	-	9,575,000
2012B	11/7/2012	2024	0.478% - 3.22%	38,940,000	37,235,000	-	3,495,000	-	33,740,000
2014	11/13/2014	2032	2.0% - 5.0%	50,190,000	50,190,000	-	645,000	-	49,545,000
2016	3/24/2016	2035	2.0% - 5.0%	12,550,000	-	12,550,000	-	-	12,550,000
				<u>\$ 729,970,572</u>	<u>\$ 557,523,058</u>	<u>\$ 12,550,000</u>	<u>\$ 12,699,400</u>	<u>\$ 13,741,416</u>	<u>\$ 543,632,242</u>
				Accreted Interest	Balance, July 1, 2015	Additions	Deductions	Advance Refunding	Balance, June 30, 2016
Measure M:									
2000B					\$ 28,218,390	\$ 3,074,825	\$ 2,112,967	\$ -	\$ 29,180,248
2000C					9,874,943	1,213,772	-	-	11,088,715
2011A					7,454,858	2,408,757	-	-	9,863,615
2012A					752,886	253,754	141,481	-	865,159
2013A					281,430	242,819	1,810	-	522,439
Measure O:									
2011A					15,211,709	4,766,760	9,343	-	19,969,126
2013A					431,633	381,468	-	-	813,101
					<u>\$ 62,225,849</u>	<u>\$ 12,342,155</u>	<u>\$ 2,265,601</u>	<u>\$ -</u>	<u>\$ 72,302,403</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

5. LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2016, are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 13,379,298	\$ 21,797,733	\$ 35,177,031
2018	14,455,185	21,948,947	36,404,132
2019	13,850,906	22,171,444	36,022,350
2020	14,712,463	22,033,208	36,745,671
2021	16,265,330	21,974,847	38,240,177
2022-2026	97,751,732	115,468,543	213,220,275
2027-2031	138,745,972	124,796,432	263,542,404
2032-2036	115,195,536	116,007,294	231,202,830
2037-2041	51,018,882	155,556,884	206,575,766
2042-2046	52,844,667	74,117,954	126,962,621
2047-2051	11,908,463	64,064,873	75,973,336
2052	3,503,808	14,281,724	17,785,532
Total	<u>\$ 543,632,242</u>	<u>\$ 774,219,883</u>	<u>\$ 1,317,852,125</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

6. EMPLOYEE RETIREMENT SYSTEMS

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

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	CalPERS		STRS	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 60	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	60	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	6%	8.15%	8.15%
Required employer contribution rates	11.847%	11.847%	10.73%	10.73%

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Contributions

CalPERS

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

STRS

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were:

	CalPERS	STRS	Total
Contributions – employer	\$ 2,628,697	\$ 6,138,654	\$ 8,767,351
On behalf contributions – state	–	3,641,034	3,641,034
Total	<u>\$ 2,628,697</u>	<u>\$ 9,779,688</u>	<u>\$ 12,408,385</u>

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

As of June 30, 2016, San Mateo Union High School District reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	Proportionate Share of Net Pension Liability
CalPERS	\$ 27,300,522
STRS	78,893,947
Total Net Pension Liability	<u>\$ 106,194,469</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

San Mateo Union High School District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. San Mateo Union High School District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	CalPERS	STRS
Proportion - June 30, 2014	0.17824%	0.11457%
Proportion - June 30, 2015	0.18521%	0.11719%
Change - Increase (Decrease)	0.00697%	0.00262%

For the year ended June 30, 2016, the District recognized pension expense of \$(29,981) and \$4,202,422 for CalPERS and STRS, respectively. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS		STRS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,628,697	\$ -	\$ 9,779,688	\$ -	\$ 12,408,385	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2014-15.	158,478	-	964,313	-	1,122,791	-
Change in employer's proportion and differences between proportionate share of contributions	783,235	1,677,420	1,404,073	-	2,187,308	1,677,420
Net differences between projected and actual earnings on plan investments	1,560,265	934,793	-	4,869,057	1,560,265	5,803,850
Total	\$ 5,130,675	\$ 2,612,213	\$ 12,148,074	\$ 4,869,057	\$ 17,278,749	\$ 7,481,270

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	CalPERS	STRS	Total Deferred (Inflows)/Outflows of Resources
2017	\$ (27,559)	\$ (625,168)	\$ (652,727)
2018	(27,559)	(625,168)	(652,727)
2019	(27,559)	(625,168)	(652,727)
2020	(27,559)	(625,168)	(652,727)
Total	<u>\$ (110,235)</u>	<u>\$ (2,500,671)</u>	<u>\$ (2,610,906)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS	STRS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.65%	7.60%
Inflation	2.75%	3.00%
Payroll Growth Rate	3.00%	3.75%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%	7.60%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

CalPERS

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Asset Class	New Strategic Allocation	CalPERS	
		Real Return Years 1 – 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	<u>100.0%</u>		

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

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

Discount Rate

STRS

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. 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 occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of
Global Equity	55.0%	4.50%
Private Equity	17.0%	6.20%
Real Estate	13.0%	4.35%
Inflation Sensitive	13.0%	3.20%
Fixed Income	1.0%	0.20%
Cash/Liquidity	1.0%	0.00%
Total	<u>100%</u>	

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

CalPERS			
	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$ 44,433,873	\$ 27,300,522	\$ 13,052,995

STRS			
	Discount Rate – 1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate + 1% (8.60%)
Plan's Net Pension Liability	\$ 119,123,719	\$ 78,893,947	\$ 45,459,760

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and STRS financial reports.

Payable to the Pension Plan

At June 30, 2016, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 6, the District provides postemployment health care benefits as follows:

	Certificated	Classified	Certificated Management	Classified Management
Benefit Types Provided	Medical	Medical	Medical	Medical
Duration of Benefits	10 years but not beyond age 65	10 years but not beyond age 65	10 years but not beyond age 65	10 years but not beyond age 65
Required Service	10 years	15 years	10 years	10 years
Minimum Age	Retirement	Retirement	Retirement	Retirement
Dependent Coverage	Spouse	Spouse	Spouse	Spouse
District Contribution Percent	100% to cap	100% to cap	100% to cap	100% to cap
District Cap	\$250 per month	\$250 per month	\$250 per month	\$250 per month

Annual OPEB Cost and Net OPEB Obligation

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 Codification Section P50.108-109. 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 liabilities (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:

Annual Required Contribution (ARC)	\$ 236,177
Interest on Net OPEB obligation (asset)	(11,012)
Adjustment to annual required contribution	<u>12,769</u>
Annual OPEB cost	237,933
Contributions made	<u>(167,063)</u>
Change in Net OPEB obligation (asset)	70,870
Net OPEB obligation (asset) – beginning of year	<u>(244,722)</u>
Net OPEB obligation (asset) – end of year	<u><u>\$ (173,852)</u></u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation (Asset)
June 30, 2014	\$ 209,742	\$ 161,686	77%	\$ (228,997)
June 30, 2015	\$ 237,576	\$ 253,301	107%	\$ (244,722)
June 30, 2016	\$ 237,933	\$ 167,063	70%	\$ (173,852)

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,399,013, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,399,013. The covered payroll (annual payroll of active employees covered by the Plan) was \$66.98 million, and the ratio of the UAAL to the covered payroll was 3.6 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

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. The schedule of funding progress, shown on the previous page, 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.

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 September 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is based on assumed long-term investment returns on plan assets or the employer's assets, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 2.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The actuary used an open 24 year amortization period.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

8. FUND BALANCE

As of these financial statements, the District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2016:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Funds	Total
Nonspendable:					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventories	35,861	-	-	-	35,861
Total Nonspendable	55,861	-	-	-	55,861
Restricted for:					
California Clean Energy Jobs Act	742,924	-	-	-	742,924
Educator Effectiveness	623,102	-	-	-	623,102
Lottery: Instructional Materials	804,767	-	-	-	804,767
Adult Education Block Grant Program	-	-	-	1,153,957	1,153,957
Adult Education Block Grant Data and Accountability	-	-	-	370,140	370,140
Other Restricted Local	-	-	-	1,710,238	1,710,238
Child Nutrition: Child Care Food Program (CCFP) Claims	-	-	-	4,786	4,786
Child Nutrition: School Programs	-	-	-	52,142	52,142
State School Facilities Projects	-	-	-	2,099,335	2,099,335
Debt Service	-	-	34,301,622	-	34,301,622
Total Restricted	2,170,793	-	34,301,622	5,390,598	41,863,013
Committed:					
Tier I Basic Aid Reserve	6,349,493	-	-	-	6,349,493
Tier II Basic Aid Reserve	6,349,493	-	-	-	6,349,493
Tier III Categoricals	39,875	-	-	-	39,875
Site Allocation/Department Carryovers	2,006,072	-	-	-	2,006,072
2016-17 Deficit Spending	510,300	-	-	-	510,300
Other Commitments	3,239,534	117,524,387	-	17,586,829	138,350,750
Total Committed	18,494,767	117,524,387	-	17,586,829	153,605,983
Unassigned:					
Economic Uncertainties	4,232,996	-	-	-	4,232,996
Total	\$ 24,954,417	\$ 117,524,387	\$ 34,301,622	\$ 22,977,427	\$ 199,757,853

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

9. JOINT VENTURES

The San Mateo Union High School District participates in a joint ventures under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The relationship between the San Mateo Union High School District and the JPA is such that the JPA is not a component unit of the San Mateo Union High School District for financial reporting purposes.

The JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information for the year ended June 30, 2016, is as follows:

	SMCSIG
Total Assets	\$ 22,030,490
Deferred Outflows of Resources	443,058
Total Liabilities	10,785,422
Deferred Inflows of Resources	282,729
Net Position	\$ 11,405,397
Total Revenues	\$ 40,666,646
Total Expenditures	39,513,008
Change in Net Position	\$ 1,153,638

10. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position of the District in the government-wide financial statements has been restated to record a prior period adjustment to correct the District's capital asset balance as of June 30, 2015. A reconciliation of the prior period ending net position to the current year beginning net position for the District is as follows:

Beginning net position	\$ 10,894,604
Adjustment to correct capital asset balance	(1,592,347)
Beginning net position, as restated	\$ 9,302,257

The adjustment above had no impact on change in net position for the years ended June 30, 2016 and 2015.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District incurred unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

Excess of expenditures over appropriations for the year ended June 30, 2016 were as follows:

	<u>Excess Expenditures</u>
General Fund	
Classified salaries	\$ 453,404
Employee benefits	2,351,812
Services and other operating expenditures	239,085
Capital outlay	233,189

The excess is not in accordance with Education Code 42600.

12. COMMITMENTS AND CONTINGENCIES

A. STATE AND FEDERAL ALLOWANCES, AWARDS AND GRANTS

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursement subsequently determined will not have a material effect on the District's financial position.

B. LITIGATION

This District has been named in various claims for failures to provide appropriate special education placements and/or services for various students. The District's legal counsel provided the District with a potential estimate for reserves at \$2.4 million that may result in litigation and the District has accrued a liability accordingly as of June 30, 2016.

13. RISK MANAGEMENT

A. 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, 2016, the District participated in the SMCSIG public entity risk pool 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.

B. WORKERS COMPENSATION

For fiscal year 2016, the District participated in the SMCSIG public entity risk pool for workers compensation, with excess commercial coverage provided by Arch Insurance Company.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

13. RISK MANAGEMENT (CONTINUED)

C. EMPLOYEE MEDICAL BENEFITS

Dental and vision benefits are provided through the SMCSIG public entity risk pool.

14. SUBSEQUENT EVENTS

On August 23, 2016, the District approved issuance of General Obligation Refunding Bonds, 2016 Series B, Series C (2020 Crossover), Series D (2022 Crossover) and Series E (2023 Crossover) for a total principal amount of \$130,920,000.

The District's management evaluated its June 30, 2016 financial statements for subsequent events through December 9, 2016, the date the financial statements were available to be issued. Management is not aware of any subsequent events, other than the refunding bond issuance discussed above, that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (NON-GAAP) AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	B u d g e t		Actual	Variance with Final B u d g e t Favorable (Unfavorable)
	Original	Final		
REVENUES				
LCFF sources	\$ 115,684,588	\$ 118,403,816	\$ 120,851,140	\$ 2,447,324
Federal revenue	2,433,966	2,951,863	2,505,830	(446,033)
Other state revenues	6,765,929	7,061,615	11,569,667	4,508,052
Other local revenues	5,527,628	7,156,753	6,001,637	(1,155,116)
Total revenues	130,412,111	135,574,047	140,928,274	5,354,227
EXPENDITURES				
Certificated salaries	56,500,058	56,818,283	55,944,002	874,281
Classified salaries	21,995,065	21,783,942	22,237,346	(453,404)
Employee benefits	26,635,509	25,944,241	28,296,053	(2,351,812)
Books and supplies	4,712,619	9,059,535	7,947,310	1,112,225
Services and other operating expenditures	15,552,045	18,494,369	18,733,454	(239,085)
Capital outlay	–	290,214	523,403	(233,189)
Other outgo	4,831,857	5,110,553	3,828,269	1,282,284
Total expenditures	130,227,153	137,501,137	137,509,837	(8,700)
Excess (deficiency) of revenues over expenditures	184,958	(1,927,090)	3,418,437	5,345,527
OTHER FINANCING SOURCES (USES)				
Operating transfers in	–	87,201	440,014	352,813
Operating transfers out	(1,950,000)	(2,765,014)	(3,590,014)	(825,000)
Total other financing sources (uses)	(1,950,000)	(2,677,813)	(3,150,000)	(472,187)
Net change in fund balances	(1,765,042)	(4,604,903)	268,437	4,873,340
Fund balances, July 1, 2015	24,685,980	24,685,980	24,685,980	–
Fund balances, June 30, 2016	\$ 22,920,938	\$ 20,081,077	\$ 24,954,417	\$ 4,873,340

SAN MATEO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Value of Assets	Actuarially Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2010	\$ -	\$ 2,745,200	\$ 2,745,200	0%	\$ 63,310,500	4.3%
January 1, 2012	\$ -	\$ 2,023,300	\$ 2,023,300	0%	\$ 61,628,000	3.3%
December 31, 2013	\$ -	\$ 2,399,013	\$ 2,399,013	0%	\$ 66,997,078	3.6%

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CalPERS			
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	⁽¹⁾
Proportion of the net pension liability	0.17820%	0.18521%	
Proportionate share of the net pension liability	\$ 20,230,039	\$ 27,300,522	
Covered-employee payroll ⁽²⁾	\$ 19,098,200	\$ 20,373,259	
Proportionate Share of the net pension liability as percentage of covered-employee payroll	105.90%	134.00%	
Plans fiduciary net position as a percentage of the total pension liability	83.40%	79.43%	
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 2,184,216	\$ 2,413,620	
STRS			
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	⁽¹⁾
Proportion of the net pension liability	0.11500%	0.11719%	
Proportionate share of the net pension liability	\$ 67,202,550	\$ 78,893,947	
Covered-employee payroll ⁽²⁾	\$ 51,224,376	\$ 45,013,458	
Proportionate Share of the net pension liability as percentage of covered-employee payroll	131.20%	175.27%	
Plans fiduciary net position as a percentage of the total pension liability	76.50%	74.02%	
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 4,226,011	\$ 4,829,944	

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

(3) The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>CalPERS</u>			
		<u>Fiscal Year 2013-14</u>	<u>Fiscal Year 2014-15⁽¹⁾</u>
Actuarially Determined Contribution ⁽²⁾		\$ 2,184,216	\$ 2,413,620
Contributions in relation to the actuarially determined contributions		<u>(2,184,216)</u>	<u>(2,628,697)</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ (215,077)</u>
Covered-employee payroll ⁽³⁾		\$ 19,098,200	\$ 20,373,259
Contributions as a percentage of covered-employee payroll ⁽³⁾		11.441%	11.847%
<u>STRS</u>			
		<u>Fiscal Year 2013-14⁽¹⁾</u>	<u>Fiscal Year 2014-15⁽¹⁾</u>
Actuarially Determined Contribution ⁽²⁾		\$ 4,226,011	\$ 4,829,944
Contributions in relation to the actuarially determined contributions		<u>(4,226,011)</u>	<u>(6,138,654)</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ (1,308,710)</u>
Covered-employee payroll ⁽³⁾		\$ 51,224,376	\$ 45,013,458
Contributions as a percentage of covered-employee payroll ⁽³⁾		8.250%	10.730%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

⁽³⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PURPOSE OF SCHEDULES

- A – Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP) and Actual – General Fund

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

- B – Schedule of Funding Progress – Other Postemployment Benefits

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

- C – Schedule of Proportionate Share of the Net Pension Liability

Changes in assumptions

In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

- D – Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

	CalPERS	STRS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.65%	7.60%
Inflation	2.75%	3.00%
Payroll Growth Rate	3.00%	3.75%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%	7.60%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

SUPPLEMENTARY INFORMATION

SAN MATEO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2016

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve For Capital Outlay Fund	Foundation Permanent Fund	Total
ASSETS										
Cash and cash equivalents	\$ 8,943,535	\$ -	\$ 303,939	\$ 4,882,867	\$ 441,753	\$ 5,348,641	\$ 2,254,303	\$ 479,324	\$ 1,347,897	\$ 24,002,259
Accounts receivable	136,829	-	1,810	-	942	8,029	-	-	-	147,610
Due from other funds	-	5,032	50,000	-	-	-	-	775,000	-	830,032
Total assets	<u>\$ 9,080,364</u>	<u>\$ 5,032</u>	<u>\$ 355,749</u>	<u>\$ 4,882,867</u>	<u>\$ 442,695</u>	<u>\$ 5,356,670</u>	<u>\$ 2,254,303</u>	<u>\$ 1,254,324</u>	<u>\$ 1,347,897</u>	<u>\$ 24,979,901</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 266,512	\$ 246	\$ 9,635	\$ 58,697	\$ 15,417	\$ 554,345	\$ 154,968	\$ -	\$ 62,299	\$ 1,122,119
Unearned revenue	193,146	-	-	-	-	-	-	-	-	193,146
Due to other funds	390,448	-	291,496	-	-	-	-	5,265	-	687,209
Total Liabilities	850,106	246	301,131	58,697	15,417	554,345	154,968	5,265	62,299	2,002,474
Fund balances										
Restricted	1,524,697	4,786	52,142	-	424,040	-	2,099,335	-	1,285,598	5,390,598
Committed	6,705,561	-	2,476	4,824,170	3,238	4,802,325	-	1,249,059	-	17,586,829
Total Fund Balance	<u>8,230,258</u>	<u>4,786</u>	<u>54,618</u>	<u>4,824,170</u>	<u>427,278</u>	<u>4,802,325</u>	<u>2,099,335</u>	<u>1,249,059</u>	<u>1,285,598</u>	<u>22,977,427</u>
Total liabilities and fund balances	<u>\$ 9,080,364</u>	<u>\$ 5,032</u>	<u>\$ 355,749</u>	<u>\$ 4,882,867</u>	<u>\$ 442,695</u>	<u>\$ 5,356,670</u>	<u>\$ 2,254,303</u>	<u>\$ 1,254,324</u>	<u>\$ 1,347,897</u>	<u>\$ 24,979,901</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve For Capital Outlay Fund	Foundation Permanent Fund	Total
REVENUES										
LCFF sources	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Federal revenue	426,333	-	660,293	-	-	-	-	-	-	1,086,626
Other state revenues	6,683,484	-	53,227	-	-	-	-	-	-	6,736,711
Other local revenues	491,864	233	850,035	24,030	128,141	1,402,253	13,804	54,311	9,099	2,973,770
Total revenues	8,351,681	233	1,563,555	24,030	128,141	-	13,804	54,311	9,099	11,547,107
EXPENDITURES										
Certificated salaries	2,680,261	-	-	-	-	-	-	-	-	2,680,261
Classified salaries	974,367	154	894,874	-	-	-	-	-	-	1,869,395
Employee benefits	1,104,927	149	370,823	-	-	-	-	-	-	1,475,899
Books and supplies	279,628	-	471,245	-	81,245	-	-	120,744	88,876	1,041,738
Services and other operating expenditures	418,928	-	77,685	76,732	9,677	315,898	-	1,051	-	899,971
Capital outlay	-	-	-	-	-	-	349,529	-	-	349,529
Other outgo	1,194,397	-	88,855	-	-	-	-	-	-	1,283,252
Total expenditures	6,652,508	303	1,903,482	76,732	90,922	315,898	349,529	121,795	88,876	9,600,045
Excess(deficiency) of revenues over expenditures	1,699,173	(70)	(339,927)	(52,702)	37,219	-	(335,725)	(67,484)	(79,777)	1,947,062
OTHER FINANCING SOURCES (USES)										
Operating transfers in	-	-	250,000	375,000	-	-	-	810,031	-	1,435,031
Operating transfers out	-	(35,031)	-	-	-	-	-	-	-	(35,031)
Total other financing sources (uses)	-	(35,031)	250,000	375,000	-	-	-	810,031	-	1,400,000
Net change in fund balances	1,699,173	(35,101)	(89,927)	322,298	37,219	-	(335,725)	742,547	(79,777)	3,347,062
Fund balances, July 1, 2015	6,531,085	39,887	144,545	4,501,872	390,059	3,715,970	2,435,060	506,512	1,365,375	19,630,365
Fund balances, June 30, 2016	\$ 8,230,258	\$ 4,786	\$ 54,618	\$ 4,824,170	\$ 427,278	\$ (90,921)	\$ 2,099,335	\$ 1,249,059	\$ 1,285,598	\$ 22,977,427

SAN MATEO UNION HIGH SCHOOL DISTRICT
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance J uly 1, 2015	Additions	Deductions	Balance J une 30, 2016
Assets:				
Cash and Cash Equivalents				
Aragon High School	94,161	304,344	269,992	128,513
Burlingame High School	204,730	383,801	316,221	272,310
Capuchino High School	71,051	177,005	156,869	91,187
Hillsdale High School	154,880	355,551	369,907	140,524
Mills High School	108,089	288,391	243,169	153,311
Peninsula Alternative High School	2,072	17	-	2,089
San Mateo High School	126,829	341,377	273,459	194,747
Adult School	27,170	5,643	3,642	29,171
District	43,012	86,856	42,854	87,014
Total Cash and Cash Equivalents	831,994	1,942,985	1,676,113	1,098,866
Interest Receivable	1,777	2,511	1,777	2,511
Total Assets	<u>\$ 833,771</u>	<u>\$ 1,945,496</u>	<u>\$ 1,677,890</u>	<u>\$ 1,101,377</u>
Liabilities:				
Due to Student Groups	\$ 807,164	\$ 1,857,518	\$ 1,651,283	\$ 1,013,399
Accounts Payable	26,607	87,978	26,607	87,978
Total Liabilities	<u>\$ 833,771</u>	<u>\$ 1,945,496</u>	<u>\$ 1,677,890</u>	<u>\$ 1,101,377</u>

The San Mateo Union High School District was established on July 26, 1902, and is located in San Mateo

SAN MATEO UNION HIGH SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2016

San Mateo Union High School District was established on July 26, 1902, and is located in San Mateo County. There were no changes in the boundaries of the District in the current year. The District operates six high schools, one continuation high school, and an adult education school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Robert H. Griffin	President	2018
Peter H. Hanley	Vice-President	2018
Linda Lees Dwyer	Clerk	2018
Greg Land	Member	2020
Marc Friedman	Member	2020

ADMINISTRATION

Kevin Skelly, Ph.D.
Superintendent

Elizabeth McManus
Deputy Superintendent, Business Services

KindyLee Mackamul
Associate Superintendent, Student Services

Kirk Black, Ed.D.
Deputy Superintendent, Human Resources and Instruction

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Second Period Report	Revised Second Period Report	Annual Report	Revised Annual Report
Secondary:				
Ninth through Twelfth	7,793.96	8,051.77	7,904.95	8,032.27
Special Education	52.36	52.36	51.66	51.66
Continuation Education	129.87	—	127.32	—
Total	7,976.19	8,104.13	8,083.93	8,083.93

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Site	Grade Level	Standard Minutes Requirement	2015-16 Actual Minutes	Instructional Days	Status
Aragon High School	Grades 9-12	64,800	66,708	180	In compliance
Burlingame High School	Grades 9-12	64,800	65,883	180	In compliance
Capuchino High School	Grades 9-12	64,800	66,133	180	In compliance
Hillsdale High School	Grades 9-12	64,800	67,659	180	In compliance
Mills High School	Grades 9-12	64,800	66,031	180	In compliance
Peninsula Alternative High School	Grades 9-12	64,800	63,790	180	Not in compliance
San Mateo High School	Grades 9-12	64,800	65,673	180	In compliance

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR FISCAL YEAR ENDED JUNE 30, 2016

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
Design Tech Charter School	Separately Reported

SAN MATEO UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds
Fund Balance				
Balance, June 30, 2016, Unaudited Actuals	24,954,417	117,343,282	35,248,115	22,977,427
Decrease (increase) in:				
Other uses	—	181,105	(946,493)	—
Balance, June 30, 2016, Audited Financial Statements	<u>\$ 24,954,417</u>	<u>\$ 117,524,387</u>	<u>\$ 34,301,622</u>	<u>\$ 22,977,427</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal CFDA Number	Grantor and Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through California Department of Education			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (formerly PL 94-142)	13379	\$ 1,127,004
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	10115	10,304
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	10119	107,136
	Total Special Education Cluster		* 1,244,444
84.002A	Adult Education: Adult Basic Education & ESL	14508	229,366
84.002	Adult Education: Adult Secondary Education	13978	88,650
84.002A	Adult Education: English Literacy & Civics Education	14109	108,317
	Total Adult Education Cluster		426,333
84.365	NCLB: Title III, Immigrant Education Program	15146	28,978
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	130,720
	Total Title III Cluster		159,698
84.010	NCLB: Title I, Basic School Support	14416	593,052
84.367	NCLB: Title II, Part A, Teacher Quality	14341	146,263
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	151,322
84.126	Department of Rehab: Workability II, Transition Partnership	10006	211,051
	Total U.S. Department of Education		2,932,163
<u>U.S. Department of Agriculture</u>			
Passed through California Department of Education			
10.555	Child Nutrition: Meal Supplements in National School Lunch Program – Monetary Assistance	13524	660,293
10.555	Child Nutrition: Meal Supplements in National School Lunch Program – Nonmonetary Assistance	13524	78,014
	Total Child Nutrition Cluster		738,307
	Total U.S. Department of Agriculture		738,307
	Total Federal Programs		\$ 3,670,470

* Tested as a major program

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Adopted Budget 2016/2017	Actuals 2015/2016	Actuals 2014/2015	Actuals 2013/2014
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 143,654,294	\$ 141,368,288	\$ 129,661,219	\$ 122,111,372
Expenditures	146,054,608	137,509,837	124,765,205	114,720,176
Other Uses and Transfers Out	1,950,000	3,590,014	2,525,000	6,949,243
Total Outgo	148,004,608	141,099,851	127,290,205	121,669,419
Change in Fund Balance	(4,350,314)	268,437	2,371,014	441,953
Ending Fund Balance	\$ 20,604,103	\$ 24,954,417	\$ 24,685,980	\$ 22,314,966
Available Reserves *	\$ 15,193,776	\$ 4,232,996	\$ 4,475,209	\$ 3,663,188
Designated for Economic Uncertainties	\$ -	\$ 4,232,996	\$ 3,768,172	\$ 3,663,188
Undesignated Fund Balance	\$ 15,193,776	\$ -	\$ 707,037	\$ -
Available Reserves as a Percentage of Total Outgo	10.3%	3.0%	3.5%	3.0%
<u>All Funds</u>				
Total Long-Term Debt	\$ 706,885,471	\$ 722,735,470	\$ 707,870,038	\$ 567,380,365
Average Daily Attendance at P-2	8,529	8,104	7,885	7,857

*Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund

The general fund balance has increased by \$3,081,404 over the past three years. For a District this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District had incurred an operating surplus in each of the past three fiscal years and anticipates a deficit in the 2016-17 fiscal year.

Total long-term liabilities have increased by \$155,355,105 over the past two years due to the addition of G.O. Bonds and increase of the net pension liability.

Average Daily Attendance (ADA) has increased by 247 over the past two years. An increase of 425 ADA is projected for the 2016-17 fiscal year.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

2. Schedule of Instructional Time

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

The District participated in the Longer Day incentives and met or exceeded its target funding.

3. Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

4. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports to the audited financial statements.

5. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Circular A-133 and state requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

	<u>Federal Catalog Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 5,983,962
Reconciling items		
IRS Bond Interest Subsidies	None	(2,391,506)
Food Distribution - Commodities	10.555	<u>78,014</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,670,470</u>

6. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Board of Education
San Mateo Union High School District
San Mateo, California

Report on Compliance for Each State Program

We have audited the compliance of San Mateo Union High School District's (the "District") compliance with the types of compliance requirements described in the State of California's 2015-16 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2016.

Management's Responsibility

Compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

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 2015-16 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time for School Districts	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	No, see below
Garn Limit Calculation	Yes
School Accountability Report Card	Yes

Description	Procedures Performed
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After Schools Education and Safety Program	No, see below
General requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Fund	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below
Immunizations	No, see below
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes –Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform any procedures for Kindergarten Continuance or K-3 Grade Span Adjustment because these grade levels are not offered by the District.

We did not perform any procedures for Independent Study or Continuation Education because the Average Daily Attendance reported for these programs were not material for compliance purposes.

We did not perform any procedures related to Early Retirement Incentive Program, Juvenile Court Schools, After Schools Education and Safety Program or Independent Study-Course Based because the District did not offer these programs in the current year.

We did not perform any procedures related to Immunizations as the District submitted immunization assessment reports to the California Department of Public Health (CDPH).

We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, and Annual Instructional Minutes-Classroom-Based for Charter Schools, Charter School Facility Grant Program because the District did not have any charter schools.

Opinion

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2016-3 in the accompanying Schedule of Audit Findings and Questioned Costs, the District did not comply with requirements regarding the Instructional Time for School Districts. Compliance with such requirements is necessary, in our opinion, for the District to comply with state laws and regulations applicable to that program.

Qualified Opinion on Compliance with State Laws and Regulations

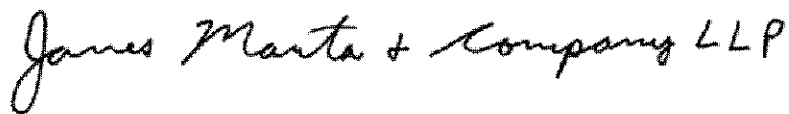
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other State Programs

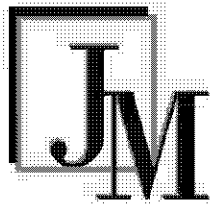
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on Compliance with State Laws and Regulations, the District complied, in all material respects, with the other applicable state compliance requirements referred to above for the year ended June 30, 2016.

Other Matters

San Mateo Union High School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2016



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

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

INDEPENDENT AUDITOR'S REPORT

Board of Education
San Mateo Union High School District
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Mateo Union High School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Mateo Union High School District's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in Finding 2016-2 of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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. We consider the deficiency described in Finding 2016-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

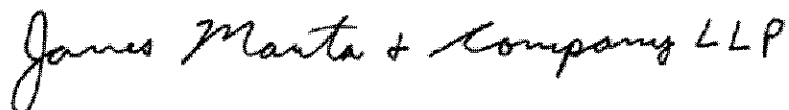
We have provided our comments regarding other matters noted during our audit in a separate letter dated December 9, 2016.

San Mateo Union High School District's Response to Findings

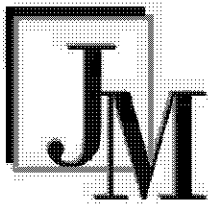
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2016



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Education
San Mateo Union High School District
Winters, California

Report on Compliance for Each Major Federal Program

We have audited San Mateo Union High School District's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

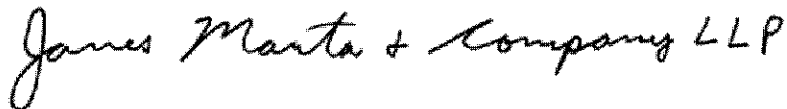
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 9, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 9, 2016

FINDINGS AND RECOMMENDATIONS

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

State Awards

Type of auditor's report issued on compliance for state programs: Qualified

Internal control over state programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? X Yes None reported

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

2016-1 Associate Student Body (30000) – Significant Deficiency

Criteria:

Education Code Section 48930 (and the California Department of Education’s “Accounting Procedures for Student Organizations Handbook”) requires student body organizations to follow the regulations set by the Governing Board of the school district.

- a. The internal controls over the financial reporting of the Associated Student Body (ASB) accounts should include proper documentation, monitoring and overseeing the money used in the organization.
- b. Revenue potential/sales analysis should be prepared for the fundraising activities.
- c. Pre-numbered tickets should be utilized to track cash receipts for events.
- d. Bank statements should be reconciled to the general ledger balance on a monthly basis.
- e. All purchases should be authorized in advance by the ASB, Advisor and School Site Principal.

Condition:

At Capuchino High School, we noted pre-numbered receipts/books are not used for various cash and check collection transactions.

Cause:

The policies and procedures for account and cash handling procedures, as outlined by the California Department of Education, were not properly implemented by the school site personnel.

Effect:

ASB is unable to determine how much revenue should have been received at the school sites.

Recommendation:

Pre-numbered receipts/receipt books, or other appropriate methods to account for cash collected, should be used for money received and kept intact for all cash and checks received.

Corrective Action Plan:

Pre-numbered, three-part receipt books were purchased and will be used when prepayment is the method of fundraising. Tally sheets will be used when selling dance tickets, spirit gear and food items.

2016-2 Fixed Asset Opening Balances (30000) – Material Weakness

Criteria:

Capital assets should be reconciled periodically to determine the accuracy of account balances, including opening balances that are carrying forward from prior years.

Condition:

We noted differences between the District’s June 30, 2015 audited capital asset balance and the District-prepared schedule.

Effect:

The opening balance of capital assets is misstated.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2016-2 Fixed Asset Opening Balances (30000) – Material Weakness (Continued)

Cause:

The District-prepared capital asset schedule is not periodically reconciled, updated, and reviewed for accuracy.

Context:

During our reconciliation of opening capital asset balances based on the District-prepared schedule, we noted the following as of June 30, 2015:

- One building item listed as ‘PY audit adjustment’ with a cost basis of \$2,189,503. Accumulated depreciation of this item was negative \$1,159,446, creating a higher net book value than the cost of the asset. The net book value of this item as of June 30, 2015 was \$3,348,949.
- Other building items labeled ‘Robertson, Cahill & Associates adjustment’ with a total cost basis of \$100,751,849.
- The building improvements tab includes a construction in process total of \$78,222,394, however, items labeled as “in progress” total \$158,586,576. Also, accumulated depreciation per the District’s worksheet is \$86,211,803; however, prior year audit balance is only \$42,447,982, a difference of \$43,763,821. In addition, the depreciation expense calculated for the year ended June 30, 2015 was \$15,162,577, but the depreciation expense per audit was only \$8,907,402.
- The equipment cost per the original District schedule is \$6,275,308. However, the amount per the prior year audit was \$5,314,824, a difference of \$960,484. Deletions for 2014-15 were \$480,242, so the aforementioned difference is two times the deletion amount ($\$480,242 \times 2 = \$960,484$).
- The equipment cost per revised District schedule is \$6,384,716, a difference of \$1,069,892 from the prior year audit balance.
- One equipment item listed as ‘audit adjustment’ with a cost basis of \$207,107.
- The vehicles tab includes nine buses purchased prior to 1990 with a net book value of \$29,133. Two of these buses are listed as purchased in 1968.

Recommendation:

Designated personnel should be assigned to periodically update the District’s fixed asset schedule to ensure all additions, deletions, and depreciation expenses are appropriately recognized. Another employee should review the fixed asset schedule for accuracy.

A separate worksheet should be used to track construction in process project costs and total project costs should be carried over to the depreciation schedule when placed in service.

Corrective Action Plan:

The District is reviewing its fixed asset system. The District will identify a new fixed asset system, including requirements and time frames for implementation. The District’s past auditor signed off on the bulleted items in this finding. Reconciliations from the prior year were not provided to the District that indicated the need for adjustments. The fixed asset system identified for use is within the San Mateo County Office of Education financial system. The fixed asset system allows for proper accounting, valuations and financial reporting. After the District acquires a fixed asset it will be coded, usually to a 6000 Object. The District then enters the asset into the Fixed Asset System. The District generates the Capital Asset Report (CAR) at fiscal year-end. The District runs the detail asset report and balances to the capital asset report. The District then submits the CAR and detail asset Report to the auditor. Posting to the entries will occur periodically throughout the year. The District will employ the appropriate due diligence to make sure the assets are posted correctly. The fixed asset balance will be reviewed and updated periodically to ensure additions, deletions and depreciation expenses are identified.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Mateo Union High School District (the "District") in connection with the issuance of \$41,930,000 of the District's 2017 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on October 26, 2017 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, and any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2016-17 fiscal year (which is due no later than March 1, 2018), provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

- (e) assessed value of taxable property in the District, as shown on the most recent equalized assessment roll;
- (f) top 20 largest property taxpayers for the District, as shown in the most recent equalized assessment roll; and
- (g) the property tax levies, collections and delinquencies for the District, for the most recently completed fiscal year, to the extent that the County is no longer on the Teeter Plan.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. optional, contingent or unscheduled Bond calls.
- 4. defeasances.
- 5. rating changes.
- 6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 7. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 8. unscheduled draws on credit enhancement reflecting financial difficulties.
- 9. substitution of the credit or liquidity providers or their failure to perform.
- 10. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
4. release, substitution or sale of property securing repayment of the Bonds.
5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
6. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District.

The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this

Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 12, 2017

SAN MATEO UNION HIGH SCHOOL DISTRICT

By: _____
Elizabeth McManus
Deputy Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: SAN MATEO UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: 2017 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: December 12, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated:_____

SAN MATEO UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SAN MATEO, THE CITY OF BURLINGAME, THE CITY OF FOSTER CITY, THE TOWN OF HILLSBOROUGH AND SAN MATEO COUNTY

The following information regarding the City of San Mateo, the City of Burlingame, and the City of Foster City (collectively, the “Cities”), the Town of Hillsborough (the “Town”) and San Mateo County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities, the Town or the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District.

General

The City of San Mateo. Located 19 miles south of San Francisco and 30 miles north of San Jose, the City of San Mateo is comprised of an area of 14.6 square miles. It is bordered by the City of Burlingame to the north, the City of Foster City to the east, the City of Belmont to the south, and the Town of Hillsborough to the west. Incorporated in 1894, it became a charter city in 1922. With a council-manager form of government, the City of San Mateo’s five City Council members are elected at large to four-year terms, with a Mayor selected from the members each year. As one of the major centers of economic activity in the County, the City of San Mateo is home to over 10,000 businesses, with employment concentrated in professional and financial services, retail, and health, educational and recreational services.

The City of Burlingame. Incorporated in 1908, Burlingame is located on the western shore of the San Francisco Bay approximately 10 miles south of San Francisco and has an area of approximately 6 square miles. It is a general law city and has a council-manager form of government, with a five-member council elected at large to four-year terms. The City Council selects a Mayor from among its members annually. The top three revenue streams for the City of Burlingame are transient occupancy tax, property tax and sales tax. It is known in the San Francisco Bay Area for its desirable retail businesses and restaurants.

The City of Foster City. Incorporated in 1971, Foster City is a general law city with a council-manager form of government. Five council members are elected by seat number to staggered four-year terms, with a two-term limit. The City Council also acts as District Board Members for the Estero Municipal Improvement District, which was created in 1960 by the California State Legislature as a general-purpose district with the power to issue municipal bonds. Over the years the bonds issued have been used to fill and reclaim land and provide the infrastructure for a master-planned community built on a former dairy farm and the former salt ponds near the San Francisco Bay. Situated 10 miles south of the San Francisco International Airport, real estate values in the area are currently at historic highs.

The Town of Hillsborough. An affluent community that is purely residential except for its schools and private clubs, the Town of Hillsborough is located west of Highway 101 within a short commute to San Francisco. Incorporated in 1910, the hilly town is well known for its rural nature and has a land area of approximately 6.23 square miles. Governed under the council-manager format, it has a City Council comprised of a Mayor, a Vice-Mayor and three council members. City Council members are elected biennially to staggered four-year terms, and the Mayor and Vice-Mayor are selected each year from among the members.

San Mateo County. One of nine counties in the San Francisco Bay Area, the County was established by State of California (the "State") law in 1856. It encompasses 20 cities in an area of 455 square miles, on a 50-mile-long peninsula immediately south of San Francisco. The Santa Cruz Mountains bisect the County, with most residents living to the east of the crest, while west of the crest remains primarily rural. Governed by a five-member Board of Supervisors, each directly elected by voters in their respective districts to four-year terms, it functions under a charter form of government. Property taxes provide its largest revenue source.

Population

The following table shows historical population figures for the Cities, the Town, the County and the State for the past 10 years.

POPULATION ESTIMATES

2008 through 2017

City of San Mateo, City of Burlingame, City of Foster City, Town of Hillsborough,
San Mateo County and the State of California

<u>Year⁽¹⁾</u>	<u>City of San Mateo</u>	<u>City of Burlingame</u>	<u>City of Foster City</u>	<u>Town of Hillsborough</u>	<u>San Mateo County</u>	<u>State of California</u>
2008	95,050	28,306	30,042	10,656	707,820	36,704,375
2009	96,170	28,556	30,270	10,750	713,818	36,966,713
2010 ⁽²⁾	97,207	28,806	30,567	10,825	718,451	37,253,956
2011	98,037	29,015	30,847	10,943	726,305	37,536,835
2012	98,768	29,161	31,243	11,110	735,256	37,881,357
2013	99,807	29,479	31,751	11,300	745,639	38,238,492
2014	100,420	29,588	32,726	11,409	752,355	38,572,211
2015	101,568	29,724	32,947	11,565	759,609	38,915,880
2016	102,977	29,916	33,068	11,663	765,895	39,189,035
2017	103,426	30,148	33,225	11,753	770,203	39,523,613

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2008-09, 2011-17 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

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Income

The following table summarizes per capita personal income for the County, the State and the United States for the most recent 10 years for which statistics are currently available.

PER CAPITA PERSONAL INCOME
2006 through 2015
San Mateo County, the State of California, and the United States

<u>Year</u>	<u>San Mateo County</u>	<u>State of California</u>	<u>United States</u>
2006	\$73,295	\$42,334	\$38,144
2007	77,643	43,692	39,821
2008	77,329	44,162	41,082
2009	72,337	42,224	39,376
2010	73,460	43,315	40,277
2011	79,465	45,820	42,453
2012	87,444	48,312	44,267
2013	86,911	48,471	44,462
2014	91,935	50,988	46,414
2015	97,553	53,741	48,122

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2015 reflect county population estimates available as of March 2016. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables list the principal employers located in the Cities and the County. The Town, a primarily residential community, is excluded.

PRINCIPAL EMPLOYERS 2016 City of San Mateo

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Sony Interactive Entertainment	Computer Related Services	1,300
San Mateo-Foster City Unified	Services: Education	1,208
County of San Mateo Medical Center	Services: Health	1,140
San Mateo Community College District	Services: Education	1,110
San Mateo Union High School District	Services: Education	1,000
City of San Mateo	Public Administration	991
Franklin Templeton Investor	Finance: Investment Offices	983
Net Suite Inc.	Business Services: Prepackaged Software	600
San Mateo County Behavioral Health	Services: Health	560
Marketo Inc.	Business Services: Prepackaged Software	474

Source: City of San Mateo Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2016.

PRINCIPAL EMPLOYERS 2016 City of Burlingame

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Mills Peninsula Health Services	Services: Health	1,594
Lufthansa Service Holdings Group Sky Chefs Inc.	Retail Trade: Caterers	468
Hyatt Regency San Francisco Airport	Services: Hotels	410
Burlingame Long Term Care	Services: Health	354
Flying Food Group	Retail Trade: Caterers	340
Burlingame School District	Services: Education	326
San Francisco Airport Marriott	Services: Hotels	300
Putnam Auto	Retail Trade: Automotive Dealers	253
Guittard Chocolate Co.	Manufacturing: Chocolate and Cocoa Products	250
American Medical Response	Services: Health	232

Source: City of Burlingame Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2016.

PRINCIPAL EMPLOYERS
2016
City of Foster City

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Gilead Sciences, Inc.	Manufacturing: Chemicals and Allied Products	6,949
Visa U.S.A. Inc.	Finance: Non-depository Credit Institutions	2,443
Inovant LLC	Finance: Holding and Other Investment Offices	2,094
Guidewire Software, Inc.	Business Services: Prepackaged Software	769
IBM Corporation	Manufacturing: Computer Equipment	444
Cybersource Corporation	Computer Related Services	416
City of Foster City	Public Administration	296
Peninsula Jewish Community Center	Social Services	270
Quinstreet, Inc.	Business Services: Marketing	255
Costco	Retail Trade: General Merchandise Stores	233

Source: City of Foster City and Estero Municipal Improvement District Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2016.

PRINCIPAL EMPLOYERS
2016
San Mateo County

<u>Company</u>	<u>Industry</u>	<u>Number of Employees</u>
LPCH	Services: Health	5,000 – 9,999
Oracle Corporation	Manufacturing: Computer and Office Equipment	5,000 – 9,999
U.S. Interior Department	Public Administration: Land, Mineral, Wildlife and Forest Conservation	5,000 – 9,999
Electric Charging Station	Services: Commercial Research	1,000 – 4,999
Electronic Arts Inc.	Business Services: Computer Related Services	1,000 – 4,999
Facebook Inc.	Business Services: Computer Related Services	1,000 – 4,999
Forced Dump Debris Box Svc.	Sanitary Services	1,000 – 4,999
Franklin Resources Inc.	Finance: Security Services	1,000 – 4,999
Franklin Templeton Investments	Finance: Security Services	1,000 – 4,999
Gilead Sciences Inc.	Manufacturing: Medical	1,000 – 4,999

Source: State of California Employment Development Department, as extracted from the America's Labor Market information System (ALMIS) Employer Database, 2016 2nd Edition.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2012 through 2016 for the Cities, the Town, the County, the State and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES 2012 through 2016⁽¹⁾

City of San Mateo, City of Burlingame, City of Foster City, Town of Hillsborough,
San Mateo County, State of California and the United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u>	<u>Unemployment Rate (%)</u> ⁽³⁾
<u>2012</u>				
City of San Mateo	58,200	54,600	3,600	6.2
City of Burlingame	16,500	15,600	800	5.0
City of Foster City	17,800	16,700	1,100	5.9
Town of Hillsborough	5,000	4,700	300	5.5
San Mateo County	412,100	385,700	26,400	6.4
State of California	18,523,800	16,602,700	1,921,100	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
<u>2013</u>				
City of San Mateo	59,000	56,000	3,000	5.1
City of Burlingame	16,700	16,100	700	4.1
City of Foster City	18,100	17,200	900	4.8
Town of Hillsborough	5,100	4,900	200	4.5
San Mateo County	418,100	396,100	22,000	5.3
State of California	18,624,300	16,958,700	1,665,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
<u>2014</u>				
City of San Mateo	60,400	58,000	2,500	4.1
City of Burlingame	17,200	16,600	600	3.3
City of Foster City	18,500	17,800	700	3.9
Town of Hillsborough	5,200	5,000	200	3.6
San Mateo County	427,700	409,700	18,000	4.2
State of California	18,755,000	17,348,600	1,406,400	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of San Mateo	61,800	59,800	2,000	3.3
City of Burlingame	17,600	17,100	500	2.6
City of Foster City	18,900	18,300	600	3.1
Town of Hillsborough	5,400	5,200	200	2.9
San Mateo County	437,700	422,900	14,800	3.4
State of California	18,893,200	17,723,300	1,169,900	6.2
United States	157,130,000	148,834,000	8,296,000	5.3

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<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u>	<u>Unemployment Rate (%)</u> ⁽³⁾
2016				
City of San Mateo	63,400	61,600	1,800	2.9
City of Burlingame	18,100	17,600	400	2.3
City of Foster City	19,400	18,900	500	2.8
Town of Hillsborough	5,500	5,300	100	2.6
San Mateo County	448,600	435,200	13,400	3.0
State of 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

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2015 Benchmark

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Industry

The County is part of the San Francisco-San Mateo-Redwood City Metropolitan District (the "MD"). The distribution of employment in the MD is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT AND LABOR FORCE ANNUAL AVERAGES 2012 through 2016 San Francisco-San Mateo-Redwood City Metropolitan District

<u>Category</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Farm	1,700	1,800	1,900	1,900	1,900
Total Nonfarm	923,700	959,200	1,001,300	1,050,100	1,094,000
Total Private	804,300	840,300	880,600	925,800	966,400
Goods Producing	63,000	65,200	68,200	72,200	76,100
Mining and Logging	0	100	100	100	100
Construction	28,900	30,400	32,600	36,000	38,400
Manufacturing	34,000	34,700	35,600	36,100	37,600
Durable Goods	15,600	15,800	16,000	16,200	17,500
Nondurable Goods	18,400	18,900	19,500	19,900	20,100
Service Providing	860,800	894,000	993,100	977,900	1,017,900
Private Service Producing	741,300	775,100	812,400	853,600	890,300
Trade, Transportation and Utilities	135,600	140,900	145,000	149,700	155,300
Wholesale Trade	23,500	24,700	25,600	26,900	27,700
Retail Trade	75,700	77,500	79,600	80,700	80,900
Transportation, Warehousing and Utilities	36,500	38,700	39,700	42,100	46,700
Information	46,400	49,600	55,000	63,100	70,600
Financial Activities	67,900	70,000	71,900	75,200	78,700
Professional and Business Services	214,200	228,000	243,900	259,600	272,300
Educational and Health Services	120,000	123,400	126,000	129,900	132,800
Leisure and Hospitality	121,500	125,700	131,100	136,100	139,900
Other Services	35,800	37,600	39,600	40,000	40,800
Government	119,500	118,900	120,700	124,400	127,600
Total, All Industries	<u>925,500</u>	<u>961,000</u>	<u>1,003,200</u>	<u>1,052,100</u>	<u>1,095,900</u>

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2016 Benchmark

Commercial Activity

Summaries of annual taxable sales for the Cities, the Town and the County from 2011 through 2015 are shown in the following tables.

ANNUAL TAXABLE SALES 2011 through 2015 City of San Mateo (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	Retail Stores Taxable	<u>Total Permits</u>	Total Outlets Taxable
		<u>Transactions</u>		<u>Transactions</u>
2011	2,017	\$1,230,604	3,180	\$1,478,774
2012	2,089	1,322,361	3,241	1,609,879
2013	2,362	1,359,088	3,535	1,591,667
2014	2,455	1,374,509	3,633	1,621,341
2015	—	1,376,103	—	1,639,305

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES 2011 through 2015 City of Burlingame (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	Retail Stores Taxable	<u>Total Permits</u>	Total Outlets Taxable
		<u>Transactions</u>		<u>Transactions</u>
2011	758	\$543,693	1,395	\$763,518
2012	813	595,829	1,450	833,453
2013	845	647,395	1,454	901,932
2014	897	708,760	1,521	978,375
2015	—	760,632	—	1,067,079

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2011 through 2015
City of Foster City
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2011	356	\$211,885	595	\$409,997
2012	382	229,263	614	371,803
2013	374	229,498	601	304,033
2014	344	228,378	565	306,468
2015	—	204,185	—	260,791

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2011 through 2015
Town of Hillsborough
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2011	135	\$1,329	209	\$9,083
2012	136	7,588	209	17,067
2013	132	1,165	202	6,121
2014	124	1,138	188	7,759
2015	—	1,381	—	8,125

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2011 through 2015
San Mateo County
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2011	11,470	\$8,536,043	18,995	\$13,020,643
2012	11,748	9,277,144	19,189	13,906,978
2013	12,438	9,935,641	19,808	14,611,618
2014	12,673	10,278,717	19,999	15,298,434
2015	—	10,301,197	—	15,478,010

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2012 through 2016 for the Cities, the Town and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS 2012 through 2016 City of San Mateo (Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$64,515	\$135,973	\$91,518	\$153,042	\$80,972
Non-residential	<u>23,158</u>	<u>57,916</u>	<u>39,260</u>	<u>221,918</u>	<u>105,021</u>
Total	\$87,673	\$193,889	\$130,778	\$374,960	\$185,993
Units:					
Single family	15	72	26	100	36
Multiple family	<u>210</u>	<u>296</u>	<u>142</u>	<u>323</u>	<u>74</u>
Total	225	368	168	423	110

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS 2012 through 2016 City of Burlingame (Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$25,218	\$36,729	\$34,586	\$32,940	\$38,911
Non-residential	<u>11,955</u>	<u>18,725</u>	<u>25,682</u>	<u>24,191</u>	<u>61,402</u>
Total	\$37,173	\$55,454	\$60,268	\$57,131	\$100,313
Units:					
Single family	14	11	19	15	20
Multiple family	<u>3</u>	<u>35</u>	<u>6</u>	<u>0</u>	<u>0</u>
Total	17	46	25	15	20

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2012 through 2016
City of Foster City
(Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$4,312	\$12,395	\$51,768	\$90,077	\$39,422
Non-residential	<u>3,572</u>	<u>33,537</u>	<u>235,901</u>	<u>139,270</u>	<u>180,771</u>
Total	\$7,884	\$45,932	\$287,669	\$229,347	\$220,193
Units:					
Single family	0	1	0	0	0
Multiple family	<u>0</u>	<u>0</u>	<u>273</u>	<u>346</u>	<u>74</u>
Total	0	1	273	346	74

Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2012 through 2016
Town of Hillsborough
(Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$39,092	\$46,978	\$49,975	\$54,654	\$48,268
Non-residential	<u>3,134</u>	<u>2,536</u>	<u>1,881</u>	<u>673</u>	<u>859</u>
Total	\$42,226	\$49,514	\$51,856	\$55,327	\$49,127
Units:					
Single family	16	16	23	26	19
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	16	16	23	26	19

Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2012 through 2016
San Mateo County
(Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$618,097	\$743,743	\$806,994	\$1,041,468	\$1,015,135
Non-residential	<u>244,055</u>	<u>494,658</u>	<u>1,016,791</u>	<u>1,010,485</u>	<u>1,613,446</u>
Total	\$862,152	\$1,238,401	\$1,823,785	\$2,051,953	\$2,628,581
Units:					
Single family	264	350	315	521	458
Multiple family	<u>671</u>	<u>840</u>	<u>1,302</u>	<u>1,386</u>	<u>1,319</u>
Total	935	1,190	1,617	1,907	1,777

Note: Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

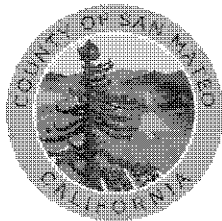
APPENDIX E

SAN MATEO COUNTY TREASURY POOL

The following information concerning the San Mateo County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Financial Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at <http://www.sanmateocountytreasurer.org/investmentReports.html>; however, the information presented on such website is not incorporated herein by any reference.

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Sandie Arnott

TREASURER –TAX COLLECTOR

TREASURER –TAX COLLECTOR –REVENUE SERVICES

Charles M. Tovstein
CHIEF INVESTMENT OFFICER

Robin N. Elliott
ASSISTANT TAX COLLECTOR

DATE: November 9, 2017
TO: San Mateo County Pool Participants
FROM: Sandie Arnott, Treasurer-Tax Collector
SUBJECT: October 2017 –Monthly Investment Report

Gross earnings for the month ending October 31, 2017 were 1.30%. The current average maturity of the portfolio is 1.09 years with an average duration of 1.05 years. The current par value of the pool is \$4.362 Billion. The largest non-government aggregate position is currently Canadian Imperial Holding at 3.51%. The portfolio continues to hold no derivative products.

The San Mateo County Pool complies with Government Code Section 53646, which requires the ability to meet its expenditure requirements for the next six months.

I certify, and our investment advisor, PFM Asset Management, confirms these reports are in compliance with the investment policy dated Calendar Year 2017. Please visit our website if you wish to review PFM's monthly compliance report: <http://www.sanmateocountytreasurer.org/PFMRreports.html>

If you have any questions regarding any of these reports, please call Charles Tovstein at (650) 363-4228 or me at (650) 363 - 4470.

Best regards,

A handwritten signature in black ink, appearing to read "Sandie Arnott", is written over a circular, textured background that resembles a seal or stamp.

Sandie Arnott
Treasurer-Tax Collector

SAN MATEO COUNTY PORTFOLIO

October 31, 2017

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COUNTY OF SAN MATEO
ESTIMATED SUMMARY OF POOL EARNINGS
OCTOBER 2017

	<u>Par Value</u>	<u>Gross Earnings</u>
<u>Fixed Income Securities Maturing >1 year</u>		
U S Treasury Notes	450,000,000	\$372,248.42
U.S. Instrumentalities	79,500,000	\$86,542.23
Federal Agencies	428,805,000	421,751.08
Corporate Notes	135,000,000	177,491.27
Floating Rate Securities	204,200,000	237,874.65
	1,297,505,000	\$1,295,907.65
<u>Short Term Securities Maturing <1 year</u>		
U S Treasury Notes	175,000,000	83,867.56
U.S. Instrumentalities	120,000,000	42,306.45
Federal Agencies	818,811,000	615,865.27
Corporate Notes	190,000,000	212,410.56
Floating Rate Securities	132,000,000	125,296.08
LAIF	65,000,000	63,486.30
Commercial Paper	977,000,000	910,112.79
Certificate of Deposit	100,000,000	93,184.93
U S Treasury Bills	375,000,000	238,447.90
Repurchase Agreements	111,250,000	3,182.99
	3,064,061,000	\$2,388,160.83
Total Accrued Interest	4,361,566,000	\$3,684,068.48
<u>Realized Gain/Loss & Interest Received</u>		
U S Treasury Notes		\$351,769.53
U.S. Instrumentalities		\$40,308.43
Federal Agencies		224,186.16
Corporate Notes		33,266.85
Floating Rate Securities		104,635.94
LAIF		3,737.76
Commercial Paper		104,242.50
Certificate of Deposit		10,284.16
U S Treasury Bills		67,931.66
Repurchase Agreements		164,186.50
Total Realized Income		\$1,104,549.49
TOTAL DOLLAR EARNINGS		\$4,788,617.97

AVERAGE BALANCE		\$4,338,146,335.68
GROSS EARNINGS RATE /GROSS DOLLAR EARNINGS	1.300%	\$4,788,617.97
ADMINISTRATION FEES		(\$386,867.57)
NET EARNINGS RATE /NET DOLLAR EARNINGS	1.195%	\$4,401,750.40

MERRILL LYNCH TAXABLE BOND INDEX vs. SAN MATEO COUNTY POOL

CHARACTERISTICS

<u>INDEX</u>	10/31/17	<u>POOL</u>
2.26	AVERAGE MATURITY (yrs)	1.09
2.16	DURATION (yrs)	1.05
1.69	YIELD TO MATURITY (%)	1.41

TIME WEIGHTED/TOTAL RETURN

-0.015	1 MONTH (%)	0.06
0.077	3 MONTHS (%)	0.23
0.490	6 MONTHS (%)	0.57
0.463	1 YEAR (%)	0.83

SYNTHETIC BENCHMARK

ALLOCATION OF INDEX

30%	0-1 year U.S. Government
20%	1-2.99 year U.S. Government
20%	3-5 year U.S. Government
10%	1-10 year U.S. Government
20%	1-5 year Corporate Bonds

*** THE MEASURE THAT CAN BE USED TO ASSESS THE PERFORMANCE OF A PORTFOLIO OVER SOME INVESTMENT HORIZON IS THE TOTAL RETURN. TOTAL RETURN IS THE SUM OF PRINCIPAL AND INTEREST PAYMENTS AS WELL AS ANY REINVESTMENT INCOME RECEIVED OVER A HOLDING PERIOD PLUS ANY CAPITAL GAIN OR LOSS.

SAN MATEO COUNTY INVESTMENT POOL VS LOCAL AGENCY INVESTMENT FUND

POOL	EARNINGS RATES ending 10/31/17	LAIF
1.300%	1 MONTH	1.143%
1.333%	3 MONTHS	1.113%
1.274%	6 MONTHS	1.049%
1.186%	1 YEAR	0.911%

SAN MATEO COUNTY TREASURER'S OFFICE
REALIZED GAINS AND LOSSES –SETTLED TRADES
 SAN MATEO COUNTY POOL
 From 10-01-17 Through 10-31-17

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
TOTAL GAINS						78,125.00	0.00
TOTAL LOSSES						0.00	0.00
				447,729,039.20	447,807,164.20	78,125.00	0.00

**THESE ARE GROSS PRINCIPAL FIGURES ONLY. THEY DO NOT REFLECT ANY AMORTIZATIONS OR ACCRETIONS.
 THE COST BASIS DOES NOT REFLECT ANY PURCHASED ACCRUED INTEREST.

SAN MATEO COUNTY TREASURER'S OFFICE
FIXED INCOME DISTRIBUTION – SETTLED TRADES
 SAN MATEO COUNTY POOL
 October 31, 2017

Summary Information

Totals		Weighted Averages	
Par Value	4,361,566,000	Average YTM	1.41
Market Value	4,348,157,906.93	Average Maturity (yrs)	1.09
Total Cost	4,349,936,956.72	Average Coupon (%)	0.78
Net Gain/Loss	-1,779,049.79	Average Duration	1.05
Annual Income	33,925,790.09	Average Moody Rating	Aa1/P-1
Accrued Interest	6,144,862.21	Average S&P Rating	AA/A-1
Number of Issues	216		

Distribution by Maturity

Maturity	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
Under 1 Yr	141	3,059,973,720.32	70.4	1.3	0.479 %	0.3
1 Yr – 3 Yrs	59	733,366,040.20	16.9	1.6	1.514 %	1.8
3 Yrs – 5 Yrs	15	506,245,614.26	11.6	1.9	1.433 %	3.9
5 Yrs – 7 Yrs	1	48,572,532.14	1.1	2.1	1.625 %	5.6

Distribution by Coupon

Coupon %	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
Under 1%	93	2,102,570,201.28	48.4	1.2	0.139 %	0.3
1% – 3%	123	2,245,587,705.65	51.6	1.6	1.376 %	1.7

Distribution by Duration

Duration	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
Under 1 Yr	141	3,059,973,720.32	70.4	1.3	0.479 %	0.3
1 Yr – 3 Yrs	60	738,355,705.20	17.0	1.6	1.514 %	1.8
3 Yrs – 5 Yrs	14	501,255,949.26	11.5	1.9	1.433 %	3.9
5 Yrs – 7 Yrs	1	48,572,532.14	1.1	2.1	1.625 %	5.6

SAN MATEO COUNTY TREASURER'S OFFICE
FIXED INCOME DISTRIBUTION – SETTLED TRADES
 SAN MATEO COUNTY POOL
 October 31, 2017

Distribution by Moody Rating

<u>Rating</u>	<u>Number</u>	<u>Mkt Value</u>	<u>% Bond Holdings</u>	<u>Average Y T M</u>	<u>Average Coupon</u>	<u>Average Duration</u>
Aaa	112	2,636,627,971.66	60.6	1.4	0.822 %	1.3
Aa1	5	85,130,204.23	2.0	1.4	0.988 %	0.7
Aa2	18	219,034,714.63	5.0	1.5	1.581 %	0.9
Aa3	4	35,129,813.16	0.8	1.6	1.643 %	1.3
A1	23	262,255,844.05	6.0	1.6	1.674 %	1.5
A2	3	20,102,424.52	0.5	1.8	1.657 %	2.5
P-1	50	1,024,845,156.91	23.6	1.3	0.177 %	0.2
Not Rated	1	65,031,777.78	1.5	1.1	1.100 %	0.0

Distribution by S&P Rating

<u>Rating</u>	<u>Number</u>	<u>Mkt Value</u>	<u>% Bond Holdings</u>	<u>Average Y T M</u>	<u>Average Coupon</u>	<u>Average Duration</u>
AAA	12	223,551,988.53	5.1	1.4	0.694 %	1.3
AA+	103	2,463,280,341.99	56.7	1.4	0.845 %	1.3
AA	6	58,256,304.94	1.3	1.4	1.469 %	0.9
AA-	27	318,358,038.92	7.3	1.6	1.666 %	1.1
A+	14	154,645,489.76	3.6	1.6	1.562 %	1.7
A	2	15,265,808.10	0.4	1.8	2.221 %	3.6
A-1+	22	483,125,024.72	11.1	1.3	0.286 %	0.2
A-1	29	566,643,132.19	13.0	1.3	0.076 %	0.2
Not Rated	1	65,031,777.78	1.5	1.1	1.100 %	0.0

** MARKET VALUE ON THE FIXED INCOME DISTRIBUTION REPORT INCLUDES ANY ACCRUED INTEREST THAT A SECURITY HAS EARNED. TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MONTHLY TRANSACTION SUMMARY REPORT IS AVAILABLE UPON REQUEST.

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
CERTIFICATE OF DEPOSIT											
WELLS FARGO BANK NA 1.220% Due 11-20-17			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	139,791.67	25,139,791.67	A-1+	0.58
WELLS FARGO BANK NA 1.350% Due 03-05-18			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	138,750.00	25,138,750.00	A-1+	0.58
TORONTO-DOMINION BANK 1.470% Due 03-21-18			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	0.00	25,000,000.00	A-1+	0.58
TORONTO DOMINION BANK NY 1.490% Due 04-06-18			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	25,868.06	25,025,868.06	A-1+	0.58
WELLS FARGO BANK NA-FLT 1.435% Due 09-07-18			15,000,000	100.00	15,000,000.00	100.00	15,000,000.00	32,287.50	15,032,287.50	A-1	0.35
WELLS FARGO BANK NA-FLT 1.442% Due 09-28-18			15,000,000	100.00	15,000,000.00	100.00	15,000,000.00	600.69	15,000,600.69	A-1	0.35
			130,000,000		130,000,000.00		130,000,000.00	337,297.91	130,337,297.91		2.99
COMMERCIAL PAPER											
SWEDBANK 0.000% Due 11-06-17			20,000,000	99.56	19,912,500.00	99.98	19,995,840.00	0.00	19,995,840.00	A-1+	0.46
CANADIAN IMPERIAL HOLDING 0.000% Due 11-10-17			25,000,000	99.38	24,845,333.33	99.97	24,991,950.00	0.00	24,991,950.00	A-1	0.58
BANK TOKYO-MITSUBISHI 0.000% Due 11-16-17			25,000,000	99.68	24,918,861.11	99.94	24,985,900.00	0.00	24,985,900.00	A-1	0.58
BANK TOKYO-MITSUBISHI 0.000% Due 11-16-17			20,000,000	99.68	19,935,088.89	99.94	19,988,720.00	0.00	19,988,720.00	A-1	0.46
BANK OF NY MELLON CORP. 0.000% Due 11-17-17			25,000,000	99.70	24,924,611.11	99.94	24,984,650.00	0.00	24,984,650.00	A-1	0.58
SWEDBANK 0.000% Due 11-17-17			25,000,000	99.58	24,896,180.56	99.94	24,986,075.00	0.00	24,986,075.00	A-1+	0.58
BANK OF NEW YORK MELLON 0.000% Due 11-20-17			28,000,000	99.69	27,913,728.89	99.93	27,981,632.00	0.00	27,981,632.00	A-1	0.64
EXXON MOBIL CORP 0.000% Due 11-21-17			10,000,000	99.73	9,972,866.67	99.94	9,993,530.00	0.00	9,993,530.00	A-1+	0.23
BANK OF NY MELLON CORP.-FRN 0.000% Due 11-28-17			25,000,000	99.71	24,927,069.44	99.92	24,978,800.00	0.00	24,978,800.00	A-1	0.58
EXXON MOBIL CORP 0.000% Due 11-28-17			20,000,000	99.81	19,961,850.00	99.92	19,983,040.00	0.00	19,983,040.00	A-1+	0.46
EXXON MOBIL CORP 0.000% Due 12-08-17			15,000,000	99.69	14,953,287.50	99.88	14,982,420.00	0.00	14,982,420.00	A-1+	0.35

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
SWEDBANK 0.000% Due 12-12-17			20,000,000	99.68	19,937,000.00	99.74	19,948,500.00	0.00	19,948,500.00	A-1+	0.46
EXXON MOBIL CORP 0.000% Due 12-15-17			13,000,000	99.71	12,962,386.67	99.86	12,981,800.00	0.00	12,981,800.00	A-1+	0.30
CANADIAN IMPERIAL HLDING 0.000% Due 01-02-18			3,000,000	99.05	2,971,616.67	99.77	2,993,124.00	0.00	2,993,124.00	A-1	0.07
CANADIAN IMPERIAL HLDING .000% Due 01-04-18			25,000,000	99.25	24,811,319.44	99.77	24,941,325.00	0.00	24,941,325.00	A-1	0.57
TOYOTA MOTOR CREDIT CORPORATION 0.000% Due 01-05-18			25,000,000	99.36	24,839,305.56	99.76	24,940,425.00	0.00	24,940,425.00	A-1+	0.57
CANADIAN IMPERIAL HLDING 0.000% Due 01-12-18			20,000,000	99.23	19,846,438.80	99.74	19,948,500.00	0.00	19,948,500.00	A-1	0.46
GE CAPITAL TREASURY LLC 0.000% Due 01-12-18			25,000,000	99.47	24,867,708.33	99.74	24,935,625.00	0.00	24,935,625.00	A-1+	0.57
NATIXIS NY BRANCH 0.000% Due 01-12-18			25,000,000	99.43	24,857,291.67	99.74	24,935,625.00	0.00	24,935,625.00	A-1	0.57
BANK TOKYO-MIT UFJ NY 0.000% Due 01-16-18			20,000,000	99.55	19,909,116.67	99.72	19,943,100.00	0.00	19,943,100.00	A-1	0.46
CANADIAN IMPERIAL HLDING 0.000% Due 01-19-18			20,000,000	99.26	19,851,111.11	99.72	19,944,000.00	0.00	19,944,000.00	A-1	0.46
NATIXIS NY BRANCH 0.000% Due 01-19-18			20,000,000	99.52	19,904,800.00	99.72	19,944,000.00	0.00	19,944,000.00	A-1	0.46
TOYOTA MOTOR CREDIT CORPORATION 0.000% Due 01-19-18			25,000,000	99.32	24,830,944.44	99.72	24,930,000.00	0.00	24,930,000.00	A-1+	0.57
BANK OF NEW YORK MELLON 0.000% Due 01-22-18			20,000,000	99.70	19,940,000.00	99.73	19,946,600.00	0.00	19,946,600.00	A-1	0.46
BANK TOKYO-MITSUBISHI 0.000% Due 01-22-18			25,000,000	99.31	24,827,500.00	99.69	24,921,600.00	0.00	24,921,600.00	A-1	0.57
NATIXIS NY BRANCH 0.000% Due 01-22-18			25,000,000	99.34	24,834,722.22	99.72	24,930,825.00	0.00	24,930,825.00	A-1	0.57
LANDESBK BADEN-WURIT NY 0.000% Due 01-23-18			25,000,000	99.65	24,912,000.00	99.69	24,923,000.00	0.00	24,923,000.00	A-1	0.57
BANK OF NY MELLON CORP.-FRN 0.000% Due 01-24-18			20,000,000	99.67	19,934,794.44	99.71	19,942,860.00	0.00	19,942,860.00	A-1	0.46
EXXON MOBIL CORP 0.000% Due 01-29-18			20,000,000	99.68	19,936,533.33	99.70	19,940,500.00	0.00	19,940,500.00	A-1+	0.46
BANK OF NY MELLON CORP.-FRN 0.000% Due 01-31-18			25,000,000	99.64	24,910,090.28	99.69	24,922,700.00	0.00	24,922,700.00	A-1	0.57

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
GE CAPITAL TREASURY LLC 0.000% Due 02-01-18			25,000,000	99.34	24,834,083.33	99.66	24,914,750.00	0.00	24,914,750.00	A-1+	0.57
SWEDBANK 0.000% Due 02-09-18			20,000,000	99.54	19,908,666.67	99.62	19,923,120.00	0.00	19,923,120.00	A-1+	0.46
BANK TOKYO-MITSUBISHI 0.000% Due 02-13-18			6,000,000	99.50	5,970,100.00	99.60	5,975,850.00	0.00	5,975,850.00	A-1	0.14
CANADIAN IMPERIAL HLDING 0.000% Due 02-16-18			15,000,000	99.46	14,918,750.00	99.62	14,943,750.00	0.00	14,943,750.00	A-1	0.34
GE CAPITAL TREASURY LLC 0.000% Due 02-20-18			25,000,000	99.46	24,865,250.00	99.59	24,897,325.00	0.00	24,897,325.00	A-1+	0.57
SWEDBANK 0.000% Due 02-20-18			25,000,000	99.47	24,868,722.22	99.59	24,897,325.00	0.00	24,897,325.00	A-1+	0.57
NATIXIS NY BRANCH 0.000% Due 02-21-18			11,000,000	99.42	10,936,062.50	99.58	10,953,393.00	0.00	10,953,393.00	A-1	0.25
CANADIAN IMPERIAL HLDING 0.000% Due 02-23-18			20,000,000	99.45	19,889,166.67	99.58	19,915,020.00	0.00	19,915,020.00	A-1	0.46
BANK TOKYO-MIT UFJ NY 0.000% Due 03-02-18			15,000,000	98.95	14,841,962.50	99.52	14,928,330.00	0.00	14,928,330.00	A-1	0.34
NATIXIS NY BRANCH 0.000% Due 03-06-18			20,000,000	99.43	19,885,155.56	99.52	19,904,800.00	0.00	19,904,800.00	A-1	0.46
BANK TOKYO-MITSUBISHI 0.000% Due 03-16-18			10,000,000	99.45	9,945,166.67	99.47	9,946,730.00	0.00	9,946,730.00	A-1	0.23
NATIXIS NY BRANCH 0.000% Due 03-16-18			20,000,000	99.40	19,880,877.78	99.47	19,893,460.00	0.00	19,893,460.00	A-1	0.46
SWEDBANK 0.000% Due 03-16-18			20,000,000	99.40	19,879,366.67	99.47	19,893,460.00	0.00	19,893,460.00	A-1+	0.46
TOYOTA MOTOR CREDIT CORPORATION 0.000% Due 03-26-18			20,000,000	99.42	19,883,333.33	99.43	19,886,440.00	0.00	19,886,440.00	A-1+	0.46
TOYOTA MOTOR CREDIT CORPORATION 0.000% Due 04-13-18			20,000,000	99.28	19,855,805.56	99.34	19,867,880.00	0.00	19,867,880.00	AA+	0.46
GE CAPITAL TREASURY LLC 0.000% Due 04-18-18			31,000,000	99.27	30,773,080.00	99.32	30,790,440.00	0.00	30,790,440.00	A-1+	0.71
			942,000,000		937,181,606.59		939,298,739.00	0.00	939,298,739.00		21.63
LOCAL AGENCY INVESTMENT FUND LAIF 1.100% Due 11-02-17			65,000,000	100.00	65,000,000.00	100.00	65,000,000.00	31,777.78	65,031,777.78	NR	1.50

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REPURCHASE AGREEMENTS											
REPURCHASE AGREEMENT(U.S. TREAS NTS COLLAT) 1.030% Due 11-01-17			111,250,000	100.00	111,250,000.00	100.00	111,250,000.00	0.00	111,250,000.00	AA+	2.56
UNITED STATES TREASURY-BILLS											
UNITED STATES TREAS BILL 0.000% Due 12-28-17			25,000,000	99.74	24,933,961.81	99.84	24,958,825.00	0.00	24,958,825.00	AA+	0.57
UNITED STATES TREAS BILL 0.000% Due 01-11-18			25,000,000	99.46	24,865,264.00	99.79	24,948,600.00	0.00	24,948,600.00	AA+	0.57
UNITED STATES TREAS BILL 0.000% Due 01-18-18			25,000,000	99.46	24,865,263.89	99.76	24,941,225.00	0.00	24,941,225.00	AA+	0.57
UNITED STATES TREAS BILL 0.000% Due 02-08-18			25,000,000	99.44	24,859,850.69	99.69	24,923,000.00	0.00	24,923,000.00	AA+	0.57
UNITED STATES TREAS BILL 0.000% Due 02-15-18			25,000,000	99.46	24,865,881.94	99.67	24,917,500.00	0.00	24,917,500.00	AA+	0.57
UNITED STATES TREAS BILL 0.000% Due 02-15-18			25,000,000	99.47	24,866,635.42	99.68	24,919,375.00	0.00	24,919,375.00	AA+	0.57
UNITED STATES TREAS BILL 0.000% Due 02-22-18			25,000,000	99.45	24,861,604.17	99.65	24,912,025.00	0.00	24,912,025.00	AA+	0.57
UNITED STATES TREAS BILL 0.000% Due 02-22-18			50,000,000	99.45	49,723,208.33	99.65	49,826,600.00	0.00	49,826,600.00	AA+	1.15
UNITED STATES TREAS BILL 0.000% Due 03-08-18			50,000,000	99.58	49,790,375.00	99.58	49,790,900.00	0.00	49,790,900.00	AA+	1.15
UNITED STATES TREAS BILL 0.000% Due 03-15-18			50,000,000	99.55	49,773,472.22	99.56	49,779,050.00	0.00	49,779,050.00	AA+	1.15
UNITED STATES TREAS BILL 0.000% Due 03-22-18			50,000,000	99.51	49,756,250.00	99.53	49,764,700.00	0.00	49,764,700.00	AA+	1.15
			375,000,000		373,161,767.47		373,681,800.00	0.00	373,681,800.00		8.61
UNITED STATES TREASURY-NOTES											
UNITED STATES TREAS NTS 0.750% Due 01-31-18			25,000,000	99.77	24,943,359.38	99.89	24,972,125.00	58,333.33	25,030,458.33	AA+	0.58
UNITED STATES TREAS NTS 0.625% Due 04-30-18			50,000,000	99.41	49,707,031.25	99.66	49,830,100.00	0.00	49,830,100.00	AA+	1.15
UNITED STATES TREAS NTS 0.625% Due 04-30-18			50,000,000	99.19	49,593,750.00	99.66	49,830,100.00	0.00	49,830,100.00	AA+	1.15
UNITED STATES TREAS NTS 1.000% Due 05-31-18			50,000,000	99.62	49,812,500.00	99.81	49,906,250.00	209,239.13	50,115,489.13	AA+	1.15

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UNITED STATES TREAS NTS 1.125% Due 07-31-21			50,000,000	100.00	50,000,000.00	97.35	48,675,800.00	140,625.00	48,816,425.00	AA+	1.12
UNITED STATES TREAS NTS 1.125% Due 08-31-21			50,000,000	99.62	49,812,500.00	97.23	48,617,200.00	97,826.09	48,715,026.09	AA+	1.12
UNITED STATES TREAS NTS 1.125% Due 08-31-21			50,000,000	99.75	49,875,000.00	97.23	48,617,200.00	97,826.09	48,715,026.09	AA+	1.12
UNITED STATES TREAS NTS 1.125% Due 09-30-21			50,000,000	99.78	49,890,625.00	97.14	48,568,350.00	48,169.89	48,616,519.89	AA+	1.12
UNITED STATES TREAS NTS 1.250% Due 10-31-21			50,000,000	100.00	50,000,000.00	97.52	48,759,750.00	1,717.03	48,761,467.03	AA+	1.12
UNITED STATES TREAS NTS 1.625% Due 08-31-22			50,000,000	99.67	49,835,527.45	98.26	49,128,900.00	69,196.43	49,198,096.43	AA+	1.13
UNITED STATES TREAS NTS 1.875% Due 09-30-22			50,000,000	99.74	49,868,432.35	99.35	49,673,850.00	74,690.93	49,748,540.93	AA+	1.14
UNITED STATES TREAS NTS 1.875% Due 09-30-22			50,000,000	99.39	49,697,201.24	99.35	49,673,850.00	74,690.93	49,748,540.93	AA+	1.14
UNITED STATES TREAS NTS 1.625% Due 10-31-23			50,000,000	100.16	50,078,125.00	97.14	48,570,300.00	2,232.14	48,572,532.14	AA+	1.12
			625,000,000		623,114,051.67		614,823,775.00	874,547.00	615,698,322.00		14.16
FEDERAL AGENCY -FLOATING RATE SECURITIES											
FEDERAL NATIONAL MORTGAGE ASSOCIATION-FRN 1.326% Due 01-11-18			15,000,000	100.00	15,000,000.00	100.05	15,007,215.00	11,053.25	15,018,268.25	AA+	0.35
FEDERAL FARM CREDIT BANK-FRN 1.389% Due 03-15-19			5,000,000	100.00	5,000,000.00	100.36	5,017,960.00	3,086.42	5,021,046.42	AA+	0.12
FEDERAL FARM CREDIT BANK-FRN 1.428% Due 08-19-19			5,000,000	100.00	5,000,000.00	100.49	5,024,285.00	8,328.66	5,032,613.66	AA+	0.12
FEDERAL FARM CREDIT BANK-FRN 1.240% Due 05-26-20			10,000,000	100.00	10,000,000.00	100.05	10,004,540.00	1,721.60	10,006,261.60	AA+	0.23
			35,000,000		35,000,000.00		35,054,000.00	24,189.93	35,078,189.93		0.81

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FEDERAL AGENCY SECURITIES											
FEDERAL HOME LOAN BANK DISC NT 0.000% Due 11-02-17			9,750,000	99.64	9,715,130.21	100.00	9,749,727.00	0.00	9,749,727.00	AA+	0.22
FEDERAL HOME LOAN BANK DISC NT 0.000% Due 11-07-17			15,000,000	99.63	14,944,966.67	99.98	14,997,480.00	0.00	14,997,480.00	AA+	0.35
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 11-13-17			25,000,000	99.76	24,940,920.14	99.97	24,991,575.00	0.00	24,991,575.00	AA+	0.58
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 11-13-17			25,000,000	99.86	24,966,166.67	99.97	24,991,575.00	0.00	24,991,575.00	AA+	0.58
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 11-17-17			25,000,000	99.85	24,963,347.22	99.96	24,988,775.00	0.00	24,988,775.00	AA+	0.58
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.000% Due 11-28-17			5,000,000	100.00	5,000,000.00	99.99	4,999,595.00	21,250.00	5,020,845.00	AA+	0.12
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.000% Due 12-15-17			5,000,000	99.90	4,994,850.00	99.98	4,999,010.00	18,888.89	5,017,898.89	AA+	0.12
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.000% Due 12-15-17			10,000,000	99.90	9,989,700.00	99.98	9,998,020.00	37,777.78	10,035,797.78	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.000% Due 12-15-17			25,000,000	99.90	24,974,250.00	99.98	24,995,050.00	94,444.44	25,089,494.44	AA+	0.58
FEDERAL HOME LOAN BANK 1.000% Due 12-19-17			5,000,000	100.00	5,000,000.00	99.99	4,999,465.00	18,333.33	5,017,798.33	AA+	0.12
FEDERAL HOME LOAN BANK 1.000% Due 12-19-17			5,000,000	100.00	5,000,000.00	99.99	4,999,465.00	18,333.33	5,017,798.33	AA+	0.12
FEDERAL HOME LOAN BANK 1.000% Due 12-19-17			5,000,000	100.00	5,000,000.00	99.99	4,999,465.00	18,333.33	5,017,798.33	AA+	0.12
FEDERAL HOME LOAN BANK 1.000% Due 12-19-17			10,000,000	100.00	10,000,000.00	99.99	9,998,930.00	36,666.67	10,035,596.67	AA+	0.23
FEDERAL HOME LOAN BANK 1.000% Due 12-19-17			10,000,000	100.00	10,000,000.00	99.99	9,998,930.00	36,666.67	10,035,596.67	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 12-20-17			10,000,000	99.55	9,955,500.00	99.97	9,997,150.00	31,840.28	10,028,990.28	AA+	0.23
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 01-18-18			22,000,000	99.58	21,907,367.78	99.76	21,946,606.00	0.00	21,946,606.00	AA+	0.51
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 01-25-18			10,000,000	99.55	9,955,416.67	99.74	9,973,560.00	0.00	9,973,560.00	AA+	0.23

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FEDERAL HOME LOAN BANK DISC NT 0.000% Due 01-26-18			15,000,000	99.44	14,915,825.00	99.73	14,959,860.00	0.00	14,959,860.00	AA+	0.34
FEDERAL HOME LOAN BANK DISC NT 0.000% Due 01-26-18			25,000,000	99.73	24,931,555.56	99.73	24,933,100.00	0.00	24,933,100.00	AA+	0.57
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 01-31-18			10,000,000	99.46	9,946,177.78	99.72	9,971,690.00	0.00	9,971,690.00	AA+	0.23
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 01-31-18			1,938,000	99.48	1,927,870.72	99.71	1,932,453.44	0.00	1,932,453.44	AA+	0.04
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 02-01-18			17,412,000	99.48	17,321,268.97	99.71	17,361,278.84	0.00	17,361,278.84	AA+	0.40
FEDERAL HOME LOAN BANK DISC NT 0.000% Due 02-02-18			5,866,000	99.26	5,822,803.43	99.71	5,848,724.63	0.00	5,848,724.63	AA+	0.13
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 02-08-18			5,000,000	99.72	4,986,150.00	99.91	4,995,710.00	10,086.81	5,005,796.81	AA+	0.12
FEDERAL HOME LOAN BANK DISC NT 0.000% Due 02-09-18			24,345,000	99.45	24,211,697.60	99.68	24,267,899.38	0.00	24,267,899.38	AA+	0.56
FEDERAL HOME LOAN BANK-DISCOUNT NOTE 0.000% Due 02-14-18			25,000,000	99.65	24,913,281.25	99.67	24,916,875.00	0.00	24,916,875.00	AA+	0.57
FARM CREDIT DISCOUNT NOTE 0.000% Due 02-16-18			10,000,000	99.05	9,905,208.33	99.66	9,966,120.00	0.00	9,966,120.00	AA+	0.23
FARM CREDIT DISCOUNT NOTE 0.000% Due 02-16-18			10,000,000	99.05	9,905,208.33	99.66	9,966,120.00	0.00	9,966,120.00	AA+	0.23
FEDERAL MORTGAGE CORPORATION DN 0.000% Due 02-16-18			4,000,000	99.45	3,977,836.67	99.66	3,986,448.00	0.00	3,986,448.00	AA+	0.09
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 02-21-18			1,000,000	99.43	994,337.78	99.65	996,453.00	0.00	996,453.00	AA+	0.02
FEDL HOME LOAN BK CONS DISC NT 0.000% Due 02-23-18			30,000,000	99.44	29,832,933.33	99.64	29,891,700.00	0.00	29,891,700.00	AA+	0.69
FEDERAL HOME LOAN MORTGAGE 11-26-17 CORPORATION-B 1.050% Due 02-26-18	100.00		5,000,000	100.00	5,000,000.00	99.94	4,997,060.00	9,479.17	5,006,539.17	AA+	0.12
FEDERAL HOME LOAN MORTGAGE 11-26-17 CORPORATION-B 1.050% Due 02-26-18	100.00		5,000,000	100.00	5,000,000.00	99.94	4,997,060.00	9,479.17	5,006,539.17	AA+	0.12
FEDERAL HOME LOAN BANK 0.875% Due 03-19-18			10,000,000	99.97	9,996,900.00	99.85	9,985,330.00	10,208.33	9,995,538.33	AA+	0.23

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FEDERAL HOME LOAN BANK 0.875% Due 03-19-18			10,000,000	99.97	9,996,900.00	99.85	9,985,330.00	10,208.33	9,995,538.33	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 03-28-18			10,000,000	99.80	9,980,000.00	99.84	9,983,870.00	8,020.83	9,991,890.83	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.750% Due 04-09-18			15,000,000	99.84	14,976,450.00	99.77	14,964,975.00	6,875.00	14,971,850.00	AA+	0.34
FEDERAL HOME LOAN BANK 1.125% Due 04-25-18			10,000,000	99.95	9,995,400.00	99.92	9,991,690.00	1,875.00	9,993,565.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.125% Due 04-25-18			5,000,000	99.95	4,997,700.00	99.92	4,995,845.00	937.50	4,996,782.50	AA+	0.12
FEDERAL HOME LOAN BANK 1.125% Due 04-25-18			5,000,000	99.94	4,997,250.00	99.92	4,995,845.00	937.50	4,996,782.50	AA+	0.12
FEDERAL HOME LOAN BANK 1.125% Due 04-25-18			10,000,000	99.95	9,995,400.00	99.92	9,991,690.00	1,875.00	9,993,565.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.125% Due 04-25-18			10,000,000	99.95	9,995,400.00	99.92	9,991,690.00	1,875.00	9,993,565.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.125% Due 04-25-18			10,000,000	99.95	9,995,400.00	99.92	9,991,690.00	1,875.00	9,993,565.00	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.000% Due 04-30-18	01-30-18	100.00	2,500,000	100.00	2,500,000.00	99.78	2,494,605.00	0.00	2,494,605.00	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.000% Due 04-30-18	01-30-18	100.00	2,500,000	100.00	2,500,000.00	99.78	2,494,605.00	0.00	2,494,605.00	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.000% Due 04-30-18	01-30-18	100.00	2,500,000	100.00	2,500,000.00	99.78	2,494,605.00	0.00	2,494,605.00	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 05-21-18			10,000,000	99.79	9,978,600.00	99.75	9,975,130.00	38,888.89	10,014,018.89	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 05-21-18			5,000,000	99.79	4,989,300.00	99.75	4,987,565.00	19,444.44	5,007,009.44	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 05-21-18			5,000,000	99.79	4,989,300.00	99.75	4,987,565.00	19,444.44	5,007,009.44	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 05-21-18			8,000,000	99.79	7,982,880.00	99.75	7,980,104.00	31,111.11	8,011,215.11	AA+	0.18

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FEDERAL HOME LOAN BANK -B 1.150% Due 06-22-18	12-22-17	100.00	10,000,000	100.00	10,000,000.00	99.82	9,982,120.00	41,208.33	10,023,328.33	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORP. -B 1.060% Due 06-22-18	12-22-17	100.00	10,000,000	99.80	9,979,800.00	99.78	9,977,790.00	38,572.22	10,016,362.22	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.250% Due 06-22-18			10,000,000	100.00	10,000,000.00	99.92	9,992,290.00	44,791.67	10,037,081.67	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.250% Due 06-22-18			5,000,000	100.00	5,000,000.00	99.92	4,996,145.00	22,395.83	5,018,540.83	AA+	0.12
FEDERAL HOME LOAN BANK 0.875% Due 06-29-18			17,000,000	99.76	16,959,030.00	99.66	16,942,472.00	50,409.72	16,992,881.72	AA+	0.39
FEDERAL HOME LOAN BANK 0.875% Due 06-29-18			10,000,000	99.76	9,975,900.00	99.66	9,966,160.00	29,652.78	9,995,812.78	AA+	0.23
FEDERAL HOME LOAN BANK 0.875% Due 06-29-18			10,000,000	99.76	9,975,900.00	99.66	9,966,160.00	29,652.78	9,995,812.78	AA+	0.23
FEDERAL HOME LOAN BANK 0.875% Due 06-29-18			10,000,000	99.76	9,975,900.00	99.66	9,966,160.00	29,652.78	9,995,812.78	AA+	0.23
FEDERAL HOME LOAN BANK 0.875% Due 06-29-18			10,000,000	99.76	9,975,900.00	99.66	9,966,160.00	29,652.78	9,995,812.78	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.000% Due 06-29-18			5,000,000	100.00	5,000,000.00	99.72	4,986,030.00	16,944.44	5,002,974.44	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.000% Due 06-29-18			5,000,000	100.00	5,000,000.00	99.72	4,986,030.00	16,944.44	5,002,974.44	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.000% Due 06-29-18			5,000,000	100.00	5,000,000.00	99.72	4,986,030.00	16,944.44	5,002,974.44	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.000% Due 06-29-18			5,000,000	100.00	5,000,000.00	99.72	4,986,030.00	16,944.44	5,002,974.44	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.000% Due 06-29-18			10,000,000	100.00	10,000,000.00	99.72	9,972,060.00	33,888.89	10,005,948.89	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.000% Due 06-29-18			5,000,000	100.00	5,000,000.00	99.72	4,986,030.00	16,944.44	5,002,974.44	AA+	0.11

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
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Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.125% Due 07-20-18			10,000,000	99.82	9,981,700.00	99.78	9,978,250.00	31,562.50	10,009,812.50	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.050% Due 07-27-18	01-27-18	100.00	5,000,000	100.00	5,000,000.00	99.69	4,984,745.00	13,708.33	4,998,453.33	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 0.875% Due 07-27-18	01-27-18	100.00	2,500,000	100.00	2,500,000.00	99.58	2,489,552.50	5,711.81	2,495,264.31	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 0.875% Due 07-27-18	01-27-18	100.00	2,500,000	100.00	2,500,000.00	99.58	2,489,552.50	5,711.81	2,495,264.31	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 0.875% Due 07-27-18	01-27-18	100.00	2,500,000	100.00	2,500,000.00	99.58	2,489,552.50	5,711.81	2,495,264.31	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 0.875% Due 07-27-18	01-27-18	100.00	2,500,000	100.00	2,500,000.00	99.58	2,489,552.50	5,711.81	2,495,264.31	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.100% Due 09-13-18	12-13-17	100.00	5,000,000	99.97	4,998,750.00	99.65	4,982,595.00	7,333.33	4,989,928.33	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.100% Due 09-13-18	12-13-17	100.00	5,000,000	100.00	5,000,000.00	99.65	4,982,595.00	7,333.33	4,989,928.33	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.100% Due 09-13-18	12-13-17	100.00	10,000,000	100.00	10,000,000.00	99.65	9,965,190.00	14,666.67	9,979,856.67	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.100% Due 09-13-18	12-13-17	100.00	10,000,000	100.00	10,000,000.00	99.65	9,965,190.00	14,666.67	9,979,856.67	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.050% Due 09-28-18			5,000,000	100.00	5,000,000.00	99.63	4,981,430.00	4,812.50	4,986,242.50	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.050% Due 09-28-18			2,500,000	100.00	2,500,000.00	99.63	2,490,715.00	2,406.25	2,493,121.25	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.050% Due 09-28-18			2,500,000	100.00	2,500,000.00	99.63	2,490,715.00	2,406.25	2,493,121.25	AA+	0.06

SAN MATEO COUNTY TREASURER'S OFFICE
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Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.050% Due 09-28-18			5,000,000	100.00	5,000,000.00	99.63	4,981,430.00	4,812.50	4,986,242.50	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.050% Due 09-28-18			5,000,000	100.00	5,000,000.00	99.63	4,981,430.00	4,812.50	4,986,242.50	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.050% Due 09-28-18			5,000,000	100.00	5,000,000.00	99.63	4,981,430.00	4,812.50	4,986,242.50	AA+	0.11
FEDERAL HOME LOAN BANK 0.875% Due 10-01-18			20,000,000	99.93	19,986,400.00	99.45	19,889,060.00	14,583.33	19,903,643.33	AA+	0.46
FEDERAL HOME LOAN BANK 0.875% Due 10-01-18			5,000,000	99.93	4,996,600.00	99.45	4,972,265.00	3,645.83	4,975,910.83	AA+	0.11
FEDERAL HOME LOAN BANK 0.875% Due 10-01-18			5,000,000	99.93	4,996,600.00	99.45	4,972,265.00	3,645.83	4,975,910.83	AA+	0.11
FEDERAL HOME LOAN BANK 0.875% Due 10-01-18			5,000,000	99.93	4,996,600.00	99.45	4,972,265.00	3,645.83	4,975,910.83	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.125% Due 10-29-18	01-29-18	100.00	5,000,000	100.00	5,000,000.00	99.41	4,970,425.00	312.50	4,970,737.50	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.125% Due 10-29-18	01-29-18	100.00	5,000,000	100.00	5,000,000.00	99.41	4,970,425.00	312.50	4,970,737.50	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.125% Due 10-29-18	01-29-18	100.00	5,000,000	100.00	5,000,000.00	99.41	4,970,425.00	312.50	4,970,737.50	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.125% Due 10-29-18	01-29-18	100.00	5,000,000	100.00	5,000,000.00	99.41	4,970,425.00	312.50	4,970,737.50	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.125% Due 10-29-18	01-29-18	100.00	10,000,000	100.00	10,000,000.00	99.41	9,940,850.00	625.00	9,941,475.00	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.125% Due 12-14-18			10,000,000	99.85	9,985,100.00	99.55	9,954,990.00	42,812.50	9,997,802.50	AA+	0.23
FEDERAL HOME LOAN BANK 1.250% Due 01-16-19			5,000,000	100.00	4,999,800.00	99.64	4,981,860.00	18,229.17	5,000,089.17	AA+	0.11
FEDERAL HOME LOAN BANK 1.250% Due 01-16-19			10,000,000	100.00	9,999,600.00	99.64	9,963,720.00	36,458.33	10,000,178.33	AA+	0.23

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Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK 1.250% Due 01-16-19			10,000,000	100.00	9,999,600.00	99.64	9,963,720.00	36,458.33	10,000,178.33	AA+	0.23
FEDERAL HOME LOAN BANK-I 1.625% Due 01-18-19	01-18-18	100.00	2,500,000	100.62	2,515,500.00	100.00	2,500,010.00	11,623.26	2,511,633.26	AA+	0.06
FEDERAL HOME LOAN BANK-I 1.625% Due 01-18-19	01-18-18	100.00	2,500,000	100.62	2,515,500.00	100.00	2,500,010.00	11,623.26	2,511,633.26	AA+	0.06
FEDERAL HOME LOAN BANK-I 1.625% Due 01-18-19	01-18-18	100.00	2,500,000	100.62	2,515,500.00	100.00	2,500,010.00	11,623.26	2,511,633.26	AA+	0.06
FEDERAL HOME LOAN BANK-I 1.625% Due 01-18-19	01-18-18	100.00	2,500,000	100.62	2,515,500.00	100.00	2,500,010.00	11,623.26	2,511,633.26	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 01-25-19			5,000,000	100.00	5,000,000.00	99.26	4,963,120.00	13,333.33	4,976,453.33	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 0.950% Due 01-30-19	07-30-18	100.00	2,500,000	100.00	2,500,000.00	99.17	2,479,157.50	5,937.50	2,485,095.00	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 0.950% Due 01-30-19	07-30-18	100.00	2,500,000	100.00	2,500,000.00	99.17	2,479,157.50	5,937.50	2,485,095.00	AA+	0.06
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.375% Due 02-28-19	02-28-18	100.00	5,000,000	100.00	5,000,000.00	99.62	4,980,975.00	12,031.25	4,993,006.25	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.375% Due 02-28-19	02-28-18	100.00	5,000,000	100.00	5,000,000.00	99.62	4,980,975.00	12,031.25	4,993,006.25	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.375% Due 02-28-19	02-28-18	100.00	5,000,000	100.00	5,000,000.00	99.62	4,980,975.00	12,031.25	4,993,006.25	AA+	0.11
FEDERAL HOME LOAN MORTGAGE CORPORATION-I 1.375% Due 02-28-19	02-28-18	100.00	10,000,000	100.00	10,000,000.00	99.62	9,961,950.00	24,062.50	9,986,012.50	AA+	0.23
FEDERAL HOME LOAN BANK 1.375% Due 03-18-19			5,000,000	99.77	4,988,400.00	99.73	4,986,255.00	8,211.81	4,994,466.81	AA+	0.11
FEDERAL HOME LOAN BANK 1.375% Due 05-28-19			5,000,000	99.81	4,990,550.00	99.68	4,984,085.00	29,218.75	5,013,303.75	AA+	0.11
FEDERAL HOME LOAN BANK 1.375% Due 05-28-19			5,000,000	99.81	4,990,550.00	99.68	4,984,085.00	29,218.75	5,013,303.75	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.750% Due 06-20-19			5,000,000	99.95	4,997,350.00	100.27	5,013,315.00	31,840.28	5,045,155.28	AA+	0.12

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
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Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK 1.125% Due 06-21-19			10,000,000	99.96	9,995,800.00	99.25	9,925,140.00	40,625.00	9,965,765.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.125% Due 06-21-19			10,000,000	99.96	9,995,800.00	99.25	9,925,140.00	40,625.00	9,965,765.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.125% Due 06-21-19			10,000,000	99.96	9,995,800.00	99.25	9,925,140.00	40,625.00	9,965,765.00	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 07-26-19			5,000,000	100.00	5,000,000.00	98.82	4,940,890.00	63,194.44	5,004,084.44	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 07-26-19			2,500,000	100.00	2,500,000.00	98.82	2,470,445.00	31,597.22	2,502,042.22	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 07-26-19			2,500,000	100.00	2,500,000.00	98.82	2,470,445.00	31,597.22	2,502,042.22	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 07-26-19			2,500,000	100.00	2,500,000.00	98.82	2,470,445.00	31,597.22	2,502,042.22	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 07-26-19			2,500,000	100.00	2,500,000.00	98.82	2,470,445.00	31,597.22	2,502,042.22	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-I 1.125% Due 07-26-19			10,000,000	100.00	10,000,000.00	99.12	9,912,040.00	29,687.50	9,941,727.50	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION-I 1.125% Due 07-26-19			3,805,000	99.98	3,804,429.25	99.12	3,771,531.22	11,296.09	3,782,827.31	AA+	0.09
FEDERAL HOME LOAN BANK 0.875% Due 08-05-19			5,000,000	99.81	4,990,400.00	98.70	4,934,785.00	54,322.92	4,989,107.92	AA+	0.11
FEDERAL HOME LOAN BANK 0.875% Due 08-05-19			5,000,000	99.81	4,990,400.00	98.70	4,934,785.00	54,322.92	4,989,107.92	AA+	0.11
FEDERAL HOME LOAN BANK 0.875% Due 08-05-19			5,000,000	99.81	4,990,400.00	98.70	4,934,785.00	54,322.92	4,989,107.92	AA+	0.11
FEDERAL HOME LOAN BANK -B 1.550% Due 08-28-19	11-28-17	100.00	2,500,000	100.00	2,500,000.00	99.89	2,497,332.50	6,781.25	2,504,113.75	AA+	0.06
FEDERAL HOME LOAN BANK -B 1.550% Due 08-28-19	11-28-17	100.00	2,500,000	100.00	2,500,000.00	99.89	2,497,332.50	6,781.25	2,504,113.75	AA+	0.06
FEDERAL HOME LOAN BANK -B 1.550% Due 08-28-19	11-28-17	100.00	2,500,000	100.00	2,500,000.00	99.89	2,497,332.50	6,781.25	2,504,113.75	AA+	0.06

SAN MATEO COUNTY TREASURER'S OFFICE
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Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK -B 1.550% Due 08-28-19	11-28-17	100.00	2,500,000	100.00	2,500,000.00	99.89	2,497,332.50	6,781.25	2,504,113.75	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.750% Due 09-12-19			5,000,000	99.44	4,971,850.00	100.21	5,010,610.00	11,909.72	5,022,519.72	AA+	0.12
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.750% Due 09-12-19			5,000,000	99.44	4,971,850.00	100.21	5,010,610.00	11,909.72	5,022,519.72	AA+	0.12
FEDERAL HOME LOAN BANK 1.000% Due 09-26-19			5,000,000	99.91	4,995,650.00	98.80	4,939,815.00	4,861.11	4,944,676.11	AA+	0.11
FEDERAL HOME LOAN BANK 1.000% Due 09-26-19			10,000,000	99.91	9,991,300.00	98.80	9,879,630.00	9,722.22	9,889,352.22	AA+	0.23
FEDERAL HOME LOAN BANK 1.000% Due 09-26-19			10,000,000	99.91	9,991,300.00	98.80	9,879,630.00	9,722.22	9,889,352.22	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION-I 1.100% Due 10-17-19	01-17-18	100.00	2,500,000	99.95	2,498,750.00	98.81	2,470,310.00	1,069.44	2,471,379.44	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-I 1.100% Due 10-17-19	01-17-18	100.00	2,500,000	99.95	2,498,750.00	98.81	2,470,310.00	1,069.44	2,471,379.44	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-I 1.100% Due 10-17-19	01-17-18	100.00	2,500,000	99.95	2,498,750.00	98.81	2,470,310.00	1,069.44	2,471,379.44	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION-I 1.100% Due 10-17-19	01-17-18	100.00	2,500,000	99.95	2,498,750.00	98.81	2,470,310.00	1,069.44	2,471,379.44	AA+	0.06
FEDERAL HOME LOAN BANK 1.500% Due 10-21-19			5,000,000	99.82	4,991,150.00	99.71	4,985,605.00	3,750.00	4,989,355.00	AA+	0.11
FEDERAL HOME LOAN BANK 1.500% Due 10-21-19			5,000,000	99.82	4,991,150.00	99.71	4,985,605.00	3,750.00	4,989,355.00	AA+	0.11
FEDERAL HOME LOAN BANK 1.500% Due 10-21-19			10,000,000	99.82	9,982,300.00	99.71	9,971,210.00	7,500.00	9,978,710.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.500% Due 10-21-19			10,000,000	99.82	9,982,300.00	99.71	9,971,210.00	7,500.00	9,978,710.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.375% Due 11-15-19			5,000,000	99.98	4,998,850.00	99.44	4,971,755.00	31,701.39	5,003,456.39	AA+	0.11
FEDERAL HOME LOAN BANK 1.375% Due 11-15-19			5,000,000	99.98	4,998,850.00	99.44	4,971,755.00	31,701.39	5,003,456.39	AA+	0.11
FEDERAL HOME LOAN BANK 1.375% Due 11-15-19			5,000,000	99.98	4,998,850.00	99.44	4,971,755.00	31,701.39	5,003,456.39	AA+	0.11

SAN MATEO COUNTY TREASURER'S OFFICE
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FEDERAL HOME LOAN BANK 1.375% Due 11-15-19			10,000,000	99.98	9,997,700.00	99.44	9,943,510.00	63,402.78	10,006,912.78	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.750% Due 11-26-19			7,500,000	99.55	7,466,550.00	100.14	7,510,762.50	123,593.75	7,634,356.25	AA+	0.17
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.625% Due 01-21-20			10,000,000	99.90	9,989,900.00	99.95	9,994,530.00	45,138.89	10,039,668.89	AA+	0.23
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.650% Due 01-27-20	01-27-18	100.00	2,500,000	100.00	2,500,000.00	99.73	2,493,312.50	10,770.83	2,504,083.33	AA+	0.06
FEDERAL HOME LOAN BANK 1.700% Due 05-15-20	05-15-19	100.00	2,500,000	100.00	2,500,000.00	99.76	2,493,965.00	0.00	2,493,965.00	AA+	0.06
FEDERAL HOME LOAN BANK 1.700% Due 05-15-20	05-15-19	100.00	5,000,000	100.00	5,000,000.00	99.76	4,987,930.00	0.00	4,987,930.00	AA+	0.11
FEDERAL HOME LOAN BANK 1.700% Due 05-15-20	05-15-19	100.00	10,000,000	100.00	10,000,000.00	99.76	9,975,860.00	0.00	9,975,860.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.700% Due 05-15-20	05-15-19	100.00	5,000,000	100.00	5,000,000.00	99.76	4,987,930.00	0.00	4,987,930.00	AA+	0.11
FEDERAL HOME LOAN BANK 1.700% Due 05-15-20	05-15-19	100.00	2,500,000	100.00	2,500,000.00	99.76	2,493,965.00	0.00	2,493,965.00	AA+	0.06
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.500% Due 06-22-20			10,000,000	99.65	9,965,100.00	99.47	9,947,490.00	53,750.00	10,001,240.00	AA+	0.23
FEDERAL HOME LOAN BANK 1.375% Due 09-28-20			5,000,000	99.68	4,983,950.00	98.78	4,939,165.00	6,302.08	4,945,467.08	AA+	0.11
FEDERAL HOME LOAN BANK 1.375% Due 09-28-20			10,000,000	99.68	9,967,900.00	98.78	9,878,330.00	12,604.17	9,890,934.17	AA+	0.23
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.625% Due 09-29-20			15,000,000	99.82	14,972,850.00	99.49	14,924,160.00	21,666.67	14,945,826.67	AA+	0.34
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.500% Due 11-30-20			5,000,000	99.91	4,995,350.00	99.17	4,958,415.00	31,250.00	4,989,665.00	AA+	0.11
FEDERAL HOME LOAN BANK 1.125% Due 07-14-21			5,000,000	99.51	4,975,350.00	97.41	4,870,545.00	16,718.75	4,887,263.75	AA+	0.11
FEDERAL HOME LOAN BANK 1.125% Due 07-14-21			5,000,000	99.51	4,975,350.00	97.41	4,870,545.00	16,718.75	4,887,263.75	AA+	0.11
FEDERAL HOME LOAN BANK 1.125% Due 07-14-21			5,000,000	99.51	4,975,350.00	97.41	4,870,545.00	16,718.75	4,887,263.75	AA+	0.11

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK 1.125% Due 07-14-21			5,000,000	99.51	4,975,350.00	97.41	4,870,545.00	16,718.75	4,887,263.75	AA+	0.11
FEDERAL HOME LOAN BANK 1.125% Due 07-14-21			5,000,000	99.51	4,975,350.00	97.41	4,870,545.00	16,718.75	4,887,263.75	AA+	0.11
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.250% Due 08-17-21			10,000,000	99.59	9,959,500.00	97.59	9,759,320.00	25,694.44	9,785,014.44	AA+	0.22
			1,227,616,000		1,225,377,659.36		1,222,720,587.52	2,667,948.18	1,225,388,535.70		28.16
US INSTRUMENTALITIES											
INTER-AMERICAN DEVEL BK 0.000% Due 11-15-17			20,000,000	99.86	19,971,688.89	99.96	19,992,140.00	0.00	19,992,140.00	AAA	0.46
INTL BK RECON & DEVELOP 0.000% Due 02-05-18			25,000,000	99.68	24,920,666.67	99.70	24,924,000.00	0.00	24,924,000.00	AAA	0.57
WORLD BANK DISCOUNT NOTE 0.000% Due 02-14-18			25,000,000	99.64	24,910,541.67	99.67	24,916,875.00	0.00	24,916,875.00	AAA	0.57
IBRD DISCOUNT NOTE 0.000% Due 02-26-18			40,000,000	99.62	39,846,822.40	99.63	39,851,800.00	0.00	39,851,800.00	AAA	0.92
INTL BK RECON & DEVELOP 0.875% Due 07-19-18			15,000,000	99.82	14,973,450.00	99.57	14,935,680.00	4,375.00	14,940,055.00	AAA	0.34
INTL BK RECON & DEVELOP 0.875% Due 07-19-18			15,000,000	99.82	14,973,450.00	99.57	14,935,680.00	4,375.00	14,940,055.00	AAA	0.34
INTL BK RECON & DEVELOP 1.250% Due 04-26-19			2,500,000	100.00	2,500,000.00	99.39	2,484,690.00	434.03	2,485,124.03	AAA	0.06
INTL BK RECON & DEVELOP 1.250% Due 04-26-19			2,500,000	100.00	2,500,000.00	99.39	2,484,690.00	434.03	2,485,124.03	AAA	0.06
INTL BK RECON & DEVELOP 1.250% Due 04-26-19			2,500,000	100.00	2,500,000.00	99.39	2,484,690.00	434.03	2,485,124.03	AAA	0.06
INTL BK RECON & DEVELOP 1.250% Due 04-26-19			2,500,000	100.00	2,500,000.00	99.39	2,484,690.00	434.03	2,485,124.03	AAA	0.06
INTL BK RECON & DEVELOP 1.250% Due 04-26-19			4,500,000	99.75	4,488,750.00	99.39	4,472,442.00	781.25	4,473,223.25	AAA	0.10
INTL BK RECON & DEVELOP 1.875% Due 04-21-20			10,000,000	99.91	9,991,300.00	100.15	10,014,700.00	5,208.33	10,019,908.33	AAA	0.23
INTL BK RECON & DEVELOP 1.625% Due 09-04-20			5,000,000	99.98	4,998,950.00	99.39	4,969,345.00	13,993.06	4,983,338.06	AAA	0.11
INTL BK RECON & DEVELOP 1.625% Due 03-09-21			20,000,000	99.85	19,969,400.00	98.82	19,764,520.00	46,944.44	19,811,464.44	AAA	0.46

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
INTL BK RECON & DEVELOP 1.375% Due 05-24-21			20,000,000	99.74	19,948,000.00	98.01	19,602,680.00	119,930.56	19,722,610.56	AAA	0.45
INTL BK RECON & DEVELOP 2.000% Due 01-26-22			10,000,000	99.46	9,945,700.00	99.69	9,968,680.00	52,777.78	10,021,457.78	AAA	0.23
			<u>219,500,000</u>		<u>218,938,719.63</u>		<u>218,287,302.00</u>	<u>250,121.53</u>	<u>218,537,423.53</u>		<u>5.03</u>
FLOATING RATE SECURITIES											
CHEVRON CORP.-FRN 1.485% Due 11-15-17			15,000,000	100.00	15,000,000.00	100.01	15,001,590.00	46,406.25	15,047,996.25	AA-	0.35
TOYOTA MOTOR CREDIT CORP.-FRN 1.677% Due 01-12-18			5,000,000	100.00	5,000,000.00	100.06	5,002,865.00	4,424.55	5,007,289.55	AA-	0.12
US BANK NA CINCINNATI-FRN 1.671% Due 01-26-18			12,000,000	100.00	12,000,000.00	100.04	12,005,208.00	2,784.40	12,007,992.40	AA-	0.28
IBM CORP.-FRN 1.502% Due 02-06-18			10,000,000	100.00	10,000,000.00	100.04	10,004,360.00	35,873.23	10,040,233.23	A+	0.23
APPLE INC.-FRN 1.561% Due 05-03-18			15,000,000	100.00	15,000,000.00	100.13	15,019,050.00	57,870.77	15,076,920.77	AA+	0.35
APPLE INC.-FRN 1.561% Due 05-03-18			10,000,000	100.08	10,008,400.00	100.13	10,012,700.00	38,580.51	10,051,280.51	AA+	0.23
APPLE INC.-FRN 1.561% Due 05-03-18			5,000,000	100.08	5,004,200.00	100.13	5,006,350.00	19,290.26	5,025,640.26	AA+	0.12
MERCK & CO INC.-FRN 1.677% Due 05-18-18			10,000,000	100.00	10,000,000.00	100.19	10,018,940.00	33,999.14	10,052,939.14	AA	0.23
CISCO SYSTEMS INC.-FRN 1.630% Due 06-15-18			10,000,000	100.00	10,000,000.00	100.20	10,019,580.00	20,827.78	10,040,407.78	AA-	0.23
ROYAL BANK OF CANADA-FRN 1.918% Due 07-30-18			10,000,000	100.00	10,000,000.00	100.36	10,035,690.00	532.77	10,036,222.77	AA-	0.23
WELLS FARGO BANK NA-FRN 1.817% Due 11-28-18			20,000,000	100.00	20,000,000.00	100.44	20,088,280.00	64,612.27	20,152,892.27	AA-	0.46
BERKSHIRE HATHAWAY FIN.-FRN 1.606% Due 01-11-19			10,000,000	100.00	10,000,000.00	100.28	10,027,610.00	8,924.39	10,036,534.39	AA	0.23
TORONTO-DOMINION BANK-FRN 1.774% Due 01-18-19			10,000,000	100.00	10,000,000.00	100.30	10,030,410.00	6,405.71	10,036,815.71	AA-	0.23
US BANK CORP-FRN 1.767% Due 04-25-19			12,200,000	99.99	12,198,292.00	100.40	12,248,995.20	3,593.75	12,252,588.95	A+	0.28
BANK OF MONTREAL-FRN 2.004% Due 07-18-19			7,000,000	100.00	7,000,000.00	100.72	7,050,113.00	5,065.39	7,055,178.39	A+	0.16

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
IBM CREDIT CORP-FRN 1.467% Due 09-06-19			20,000,000	100.00	20,000,000.00	100.13	20,026,100.00	44,831.72	20,070,931.72	A+	0.46
SVENSKA HANDELSBANKEN AB-FRN 1.806% Due 09-06-19			10,000,000	100.00	10,000,000.00	100.52	10,052,020.00	27,593.35	10,079,613.35	AA-	0.23
TORONTO-DOMINION BANK 1.515% Due 10-24-19			10,000,000	100.00	10,000,000.00	100.00	9,999,900.00	2,945.37	10,002,845.37	AA-	0.23
BANK OF MONTREAL-FRN 1.910% Due 12-12-19			5,000,000	100.00	5,000,000.00	100.72	5,035,870.00	12,735.53	5,048,605.53	A+	0.12
BERKSHIRE HATHAWAY FIN FRN 1.670% Due 01-10-20			10,000,000	100.00	10,000,000.00	100.41	10,041,400.00	9,743.30	10,051,143.30	AA	0.23
US BANK NA CINCINNATI-FRN-I 1.685% Due 01-24-20			10,000,000	100.00	10,000,000.00	100.29	10,029,050.00	3,275.92	10,032,325.92	AA-	0.23
ROYAL BANK OF CANADA-FRN 1.696% Due 03-02-20			15,000,000	100.00	15,000,000.00	100.26	15,038,460.00	41,696.04	15,080,156.04	AA-	0.35
APPLE INC.-FRN 1.379% Due 05-11-20			5,000,000	100.00	5,000,000.00	99.88	4,993,895.00	15,515.66	5,009,410.66	AA+	0.12
BANK OF MONTREAL-FRN 1.760% Due 06-15-20			15,000,000	100.00	15,000,000.00	100.42	15,062,850.00	33,733.33	15,096,583.33	A+	0.35
BANK OF NY MELLON CORP.-FRN 2.184% Due 08-17-20			5,000,000	100.00	5,000,000.00	101.76	5,087,825.00	22,751.77	5,110,576.77	A	0.12
CANADIAN IMPERIAL BK OF COMM NY CD FLTR 1.652% Due 10-05-20			25,000,000	100.00	25,000,000.00	100.12	25,029,975.00	29,836.81	25,059,811.81	A+	0.58
WELLS FARGO & COMPANY-FRN-I 2.239% Due 02-11-22	02-11-21	100.00	10,000,000	100.00	10,000,000.00	101.05	10,104,850.00	50,381.32	10,155,231.32	A	0.23
UNITED PARCEL SERVICE-FRN 1.694% Due 05-16-22			5,000,000	100.00	5,000,000.00	100.36	5,017,880.00	17,882.91	5,035,762.91	A+	0.12
			306,200,000		306,210,892.00		307,091,816.20	662,114.19	307,753,930.39		7.07
CORPORATE BONDS											
CHEVRON CORP 1.344% Due 11-09-17			15,000,000	100.00	15,000,000.00	99.99	14,998,620.00	96,320.00	15,094,940.00	AA-	0.35
CHEVRON CORP 1.345% Due 11-15-17			10,000,000	100.00	10,000,000.00	100.01	10,001,150.00	62,019.44	10,063,169.44	AA-	0.23
TOYOTA MOTOR CREDIT CORPORATION 1.450% Due 01-12-18			5,000,000	99.86	4,993,150.00	100.01	5,000,305.00	21,951.39	5,022,256.39	AA-	0.12
US BANK NA CINCINNATI 1.450% Due 01-29-18			15,000,000	100.07	15,010,500.00	100.00	15,000,105.00	55,583.33	15,055,688.33	AA-	0.35

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
IBM CORP. 1.125% Due 02-06-18			5,000,000	99.69	4,984,750.00	99.93	4,996,610.00	13,281.25	5,009,891.25	A+	0.12
ELI LILLY & CO 1.250% Due 03-01-18			5,000,000	99.91	4,995,600.00	99.91	4,995,655.00	10,416.67	5,006,071.67	AA-	0.12
CHEVRON CORP 1.365% Due 03-02-18			15,000,000	100.00	15,000,000.00	99.98	14,997,720.00	33,556.25	15,031,276.25	AA-	0.35
CHEVRON CORP 1.365% Due 03-02-18			10,000,000	100.03	10,003,000.00	99.98	9,998,000.00	22,370.83	10,020,370.83	AA-	0.23
EXXON MOBIL CORPORATION 1.305% Due 03-06-18			12,000,000	100.00	12,000,000.00	99.97	11,996,688.00	23,925.00	12,020,613.00	AA+	0.28
BANK OF MONTREAL 1.400% Due 04-10-18			15,000,000	99.94	14,990,400.00	99.95	14,992,590.00	12,250.00	15,004,840.00	A+	0.35
MICROSOFT CORP. 1.000% Due 05-01-18			5,000,000	99.94	4,996,850.00	99.79	4,989,565.00	25,000.00	5,014,565.00	AAA	0.11
APPLE INC. 1.000% Due 05-03-18			15,000,000	99.63	14,944,650.00	99.78	14,966,940.00	74,166.67	15,041,106.67	AA+	0.34
BERKSHIRE HATHAWAY FIN. 1.300% Due 05-15-18			8,000,000	99.94	7,995,360.00	99.94	7,995,192.00	47,955.56	8,043,147.56	AA	0.18
BERKSHIRE HATHAWAY FIN. 1.300% Due 05-15-18			15,000,000	99.72	14,958,300.00	99.91	14,986,500.00	89,916.67	15,076,416.67	AA	0.35
CHEVRON CORP 1.718% Due 06-24-18			10,000,000	100.00	10,000,000.00	100.06	10,005,610.00	60,607.22	10,066,217.22	AA-	0.23
BERKSHIRE HATHAWAY INC 1.150% Due 08-15-18			5,000,000	99.99	4,999,400.00	99.68	4,983,985.00	12,138.89	4,996,123.89	AA	0.11
BANK OF MONTREAL 1.350% Due 08-28-18			10,000,000	100.00	9,999,600.00	99.75	9,975,120.00	23,625.00	9,998,745.00	A+	0.23
TORONTO-DOMINION BANK 1.450% Due 09-06-18			15,000,000	99.98	14,997,300.00	99.81	14,970,780.00	33,229.17	15,004,009.17	AA-	0.34
CHEVRON CORP 1.790% Due 11-16-18			10,000,000	100.00	10,000,000.00	100.16	10,016,460.00	82,041.67	10,098,501.67	AA-	0.23
WELLS FARGO BANK NA 1.800% Due 11-28-18			20,000,000	99.92	19,983,400.00	100.07	20,014,100.00	153,000.00	20,167,100.00	AA-	0.46
EXXON MOBIL CORPORATION 1.708% Due 03-01-19			5,000,000	100.26	5,013,150.00	100.09	5,004,375.00	14,233.33	5,018,608.33	AA+	0.12
EXXON MOBIL CORPORATION 1.819% Due 03-15-19			15,000,000	100.00	15,000,000.00	100.25	15,037,170.00	34,864.17	15,072,034.17	AA+	0.35
PEPSICO INC. 1.550% Due 05-02-19			10,000,000	99.92	9,992,500.00	99.76	9,975,740.00	77,069.44	10,052,809.44	A+	0.23

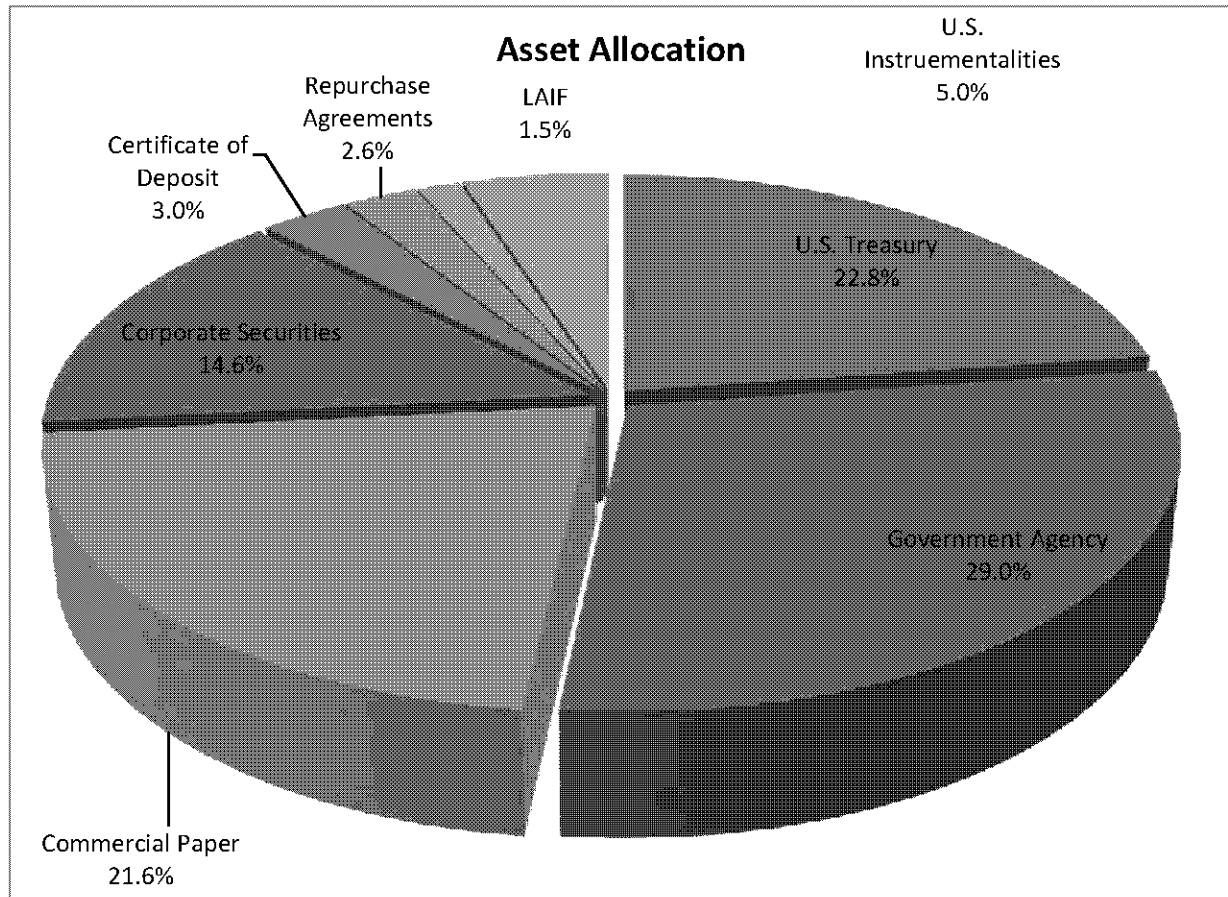
SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
October 31, 2017

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
3M COMPANY 1.625% Due 06-15-19			15,000,000	99.43	14,915,100.00	100.00	14,999,265.00	92,083.33	15,091,348.33	AA-	0.35
WALT DISNEY COMPANY /THE 0.875% Due 07-12-19			5,000,000	99.66	4,983,200.00	98.56	4,927,875.00	13,246.53	4,941,121.53	A+	0.11
BANK OF MONTREAL 1.500% Due 07-18-19			10,000,000	99.90	9,990,400.00	99.35	9,935,470.00	42,916.67	9,978,386.67	A+	0.23
PROCTER & GAMBLE CO 1.750% Due 10-25-19			10,000,000	99.96	9,996,500.00	100.05	10,005,030.00	3,888.89	10,008,918.89	AA-	0.23
US BANK NA 2.125% Due 10-28-19			10,000,000	99.91	9,991,000.00	100.47	10,047,240.00	1,770.83	10,049,010.83	AA-	0.23
ROYAL BANK OF CANADA 2.150% Due 03-06-20			15,000,000	99.90	14,985,150.00	100.25	15,036,885.00	49,270.83	15,086,155.83	AA-	0.35
TORONTO-DOMINION BANK 2.125% Due 04-07-21			10,000,000	99.83	9,983,000.00	99.54	9,954,280.00	14,166.67	9,968,446.67	AA-	0.23
			325,000,000		324,702,260.00		324,805,025.00	1,296,865.69	326,101,890.69		7.48
TOTAL PORTFOLIO			4,361,566,000		4,349,936,956.72		4,342,013,044.72	6,144,862.21	4,348,157,906.93		100.00

** TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MARKET PRICES ARE DOWNLOADED THROUGH (IDC) INTERACTIVE DATA CORP.

San Mateo County Treasurer - Asset Allocation

as of October 31, 2017



Sector:

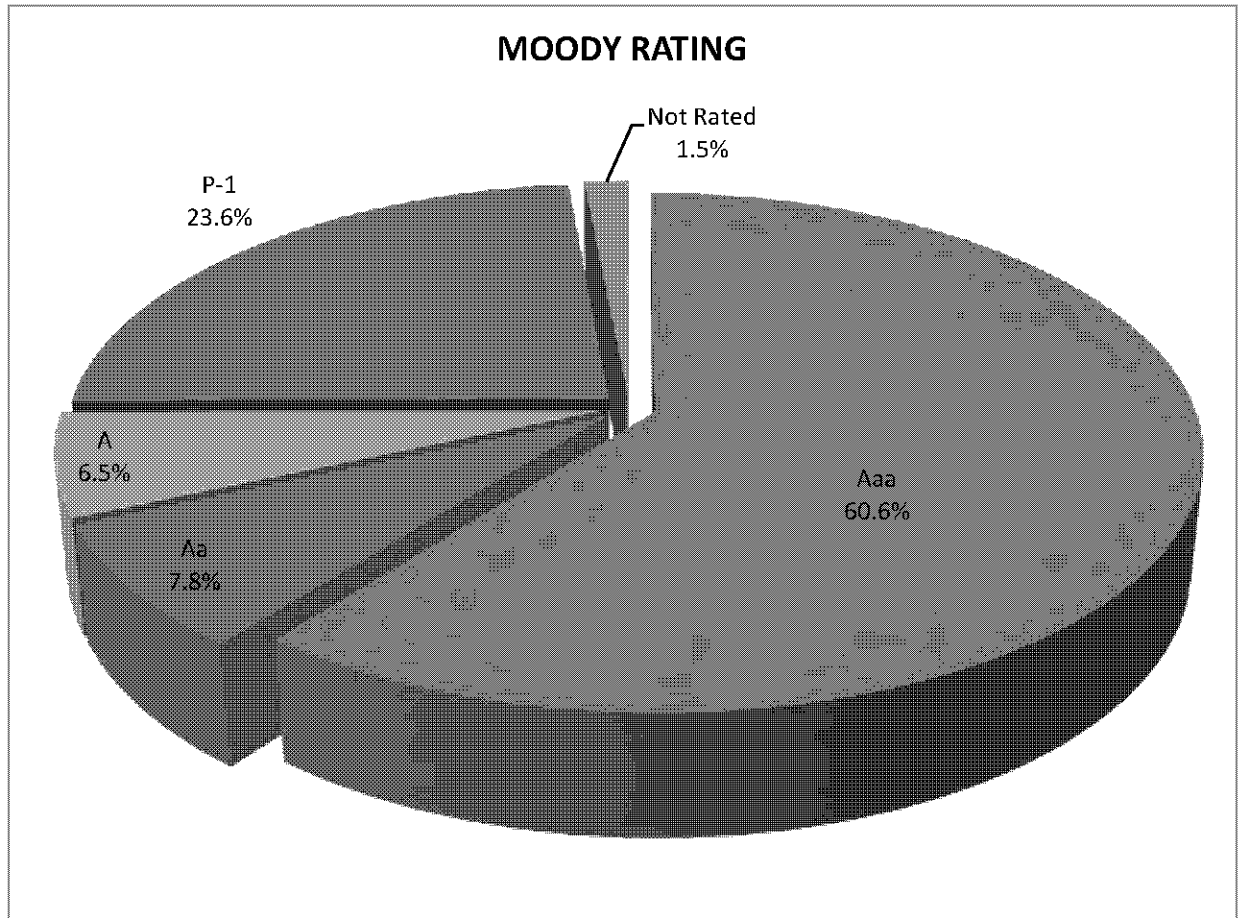
Market Value:*

U.S. Treasury	989,380,122	22.8%
Government Agency	1,260,466,726	29.0%
Commercial Paper	939,298,739	21.6%
Corporate Securities	633,855,821	14.6%
Certificate of Deposit	130,337,298	3.0%
Repurchase Agreements	111,250,000	2.6%
LAIF	65,031,778	1.5%
U.S. Instrumentalities	218,537,424	5.0%
Totals	4,348,157,907	100.0%

*Market Values listed include accrued interest for the reported period.

San Mateo County Treasurer - Credit Quality

as of October 31, 2017

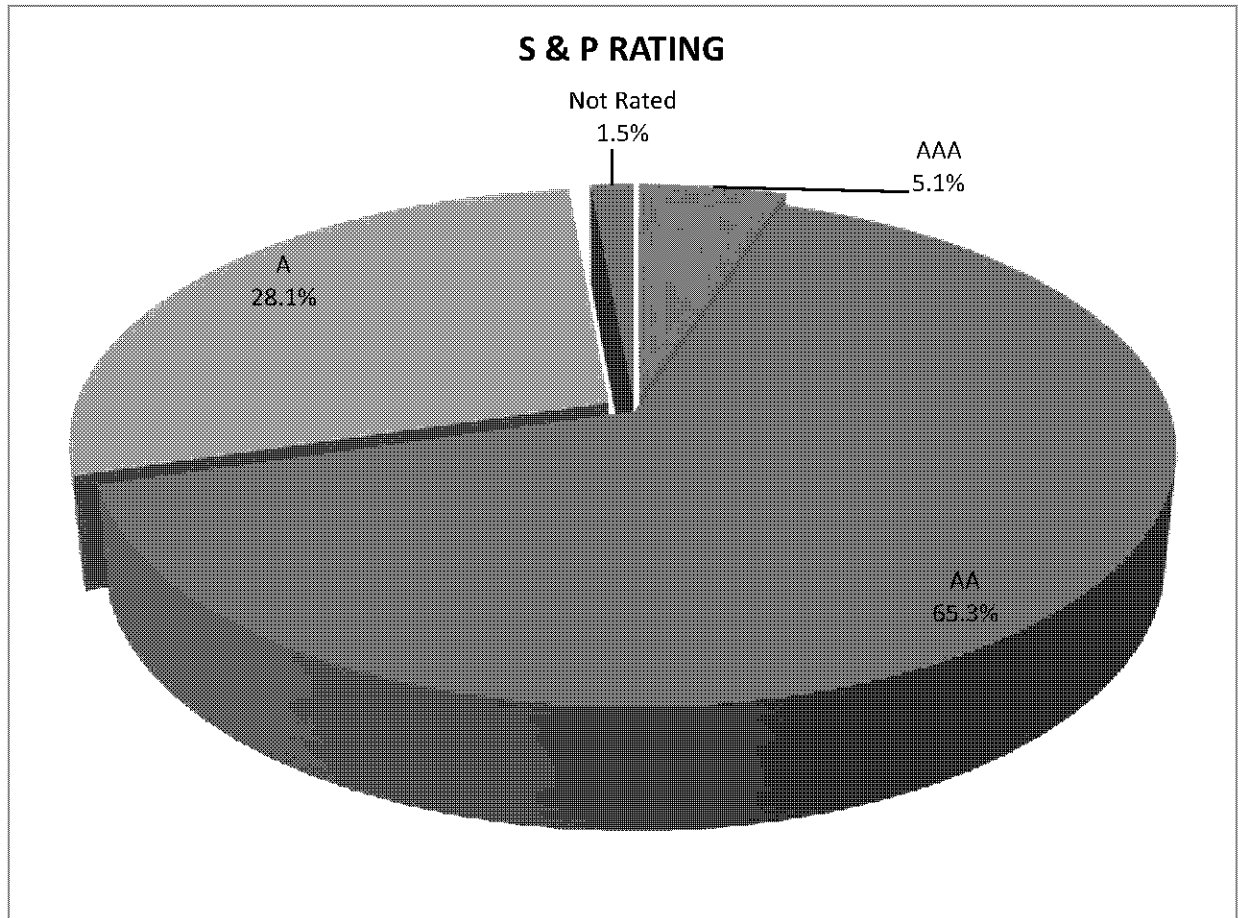


<u>Rating:</u>	<u>Market Value:*</u>	
Aaa	2,636,627,972	60.6%
Aa	339,294,732	7.8%
A	282,358,269	6.5%
P-1	1,024,845,157	23.6%
Not Rated	65,031,778	1.5%
Totals	<u>4,348,157,907</u>	100.0%

*Market Values listed include accrued interest for the reported period.

San Mateo County Treasurer - Credit Quality

as of October 31, 2017



<u>Rating:</u>	<u>Market Value:*</u>	
AAA	223,551,989	5.1%
AA	2,839,894,686	65.3%
A	1,219,679,455	28.1%
Not Rated	65,031,778	1.5%
Totals	<u>4,348,157,907</u>	<u>100.0%</u>

*Market Values listed include accrued interest for the reported period.

DIVERSIFICATION REPORT

October 31, 2017

Portf. Par Value \$ 4,361,566,000.00

	<u>US INSTRUMENTS</u>	<u>CORP. BOND-fltr</u>	<u>CORPORATE BD</u>	<u>COMM. PAPER</u>	<u>CERTF. DEPOSIT</u>	<u>TOTAL</u>
Apple Inc.		35,000,000	15,000,000			50,000,000
Bank of Montreal		27,000,000	35,000,000			62,000,000
Bank of New York		5,000,000		143,000,000		148,000,000
Bank Tokyo-MIT UFJ NY				121,000,000		121,000,000
Berkshire Hathaway		20,000,000	28,000,000			48,000,000
Canadian Imperial Holding		25,000,000		128,000,000		153,000,000
Chevron Corp.		15,000,000	70,000,000			85,000,000
Cisco Systems Inc		10,000,000				10,000,000
Eli Lilly & Co.			5,000,000			5,000,000
Exxon Mobil			32,000,000	78,000,000		110,000,000
General Electric				106,000,000		106,000,000
Intl Bk Recon & Develop	219,500,000					219,500,000
IBM Corp.		30,000,000	5,000,000			35,000,000
LBWNGY				25,000,000		25,000,000
3M Company			15,000,000			15,000,000
Merck & Co. Inc.		10,000,000				10,000,000
Microsoft Corp.			5,000,000			5,000,000
NATIXIS NY BRANCH				121,000,000		121,000,000
PG			10,000,000			10,000,000
PEP			10,000,000			10,000,000
Royal Bank of Canada		25,000,000	15,000,000			40,000,000
Svenska Handelsbanken AB		10,000,000				10,000,000
Swedbank				130,000,000		130,000,000
Toronto Dominion Bank		20,000,000	25,000,000		50,000,000	95,000,000
Toyota Motor Credit		5,000,000	5,000,000	90,000,000		100,000,000
United Parcel Service		5,000,000				5,000,000
US Bank of Cincinnati		12,000,000	25,000,000			37,000,000
USB FLOAT		22,200,000				22,200,000
Walt Disney			5,000,000			5,000,000
Wells Fargo		30,000,000	20,000,000		80,000,000	130,000,000
	219,500,000	306,200,000	325,000,000	942,000,000	130,000,000	1,922,700,000

(IN 000'S)

12 Month Cash Flow

2018

CASH IN:	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	TOTAL
Taxes:													
Secured	\$342,367.0	\$335,697.2	\$42,288.5	\$41,062.2	\$127,940.6	\$209,919.1	\$1,583.5	\$3,852.6	\$324.7	\$0.0	\$0.0	\$23,181.7	\$1,134,212.1
Unsecured	\$0.0	\$2,502.9	\$3.0	\$0.0	\$0.0	\$0.0	\$0.0	\$13.1	\$171.9	\$7,001.5	\$1,812.9	\$0.0	\$15,053.3
Supplemental	\$373.2	\$485.6	\$0.0	\$0.0	\$369.7	\$53.0	\$47.3	\$0.0	\$0.0	\$0.0	\$176.1	\$57.6	\$1,632.3
Mixed	\$231,104.5	\$321,250.6	\$27,769.0	\$37,591.7	\$84,547.2	\$307,914.3	\$9,044.7	\$11,197.4	\$20,816.6	\$48,890.2	\$20,949.6	\$54,893.7	\$1,175,285.5
Automatics	\$12,020.7	\$35,910.4	\$34,978.5	\$40,618.1	\$35,549.0	\$28,055.5	\$38,829.3	\$45,236.6	\$36,911.8	\$34,198.4	\$47,625.1	\$61,799.6	\$451,733.1
Automatics -Schools Appt	\$18,023.0	\$29,912.2	\$22,084.5	\$16,271.4	\$24,880.5	\$10,926.4	\$9,389.1	\$14,630.8	\$873.2	\$9,967.2	\$15,092.3	\$26,773.4	\$198,184.0
Unscheduled Sub. (Lockbox)	\$19,093.9	\$26,885.4	\$26,963.9	\$21,153.5	\$40,675.8	\$2,8601.4	\$21,309.2	\$31,705.9	\$20,695.1	\$20,457.5	\$57,813.1	\$20,074.9	\$365,429.6
Treasurer's Deposit	\$128,912.7	\$98,557.7	\$61,652.7	\$56,238.4	\$59,712.5	\$64,151.9	\$74,863.6	\$105,936.3	\$56,230.9	\$57,681.3	\$57,891.0	\$71,470.5	\$898,299.5
Hospitals (Treasurer's Office)	\$8,552.4	\$10,331.2	\$15,313.0	\$10,056.9	\$18,823.3	\$10,847.2	\$15,147.2	\$29,899.7	\$16,802.7	\$24,012.1	\$13,379.8	\$56,729.2	\$229,844.7
Revenue Services	\$340.6	\$1,557.3	\$1,708.7	\$642.3	\$785.8	\$413.3	\$370.1	\$764.9	\$745.3	\$732.0	\$334.4	\$396.3	\$5,711.0
Retirement Deposit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1
Housing Authority	\$42,734.4	\$3,441.9	\$2,934.3	\$4,478.9	\$3,987.3	\$3,119.5	\$6,384.0	\$5,387.4	\$4,778.1	\$3,624.0	\$3,500.7	\$2,485.6	\$48,345.1
TRAN/OTHER Deposits-county	\$0.0	\$624.5	\$0.0	\$0.0	\$250.4	\$6192.5	\$0.0	\$0.0	\$0.0	\$241.3	\$1,868.7	\$0.0	\$9,177.4
TRAN/OTHER Deposits-schools	\$0.0	\$1,013.6	\$6,253.7	\$5,917.7	\$724.4	\$3,207.9	\$0.0	\$3,949.2	\$0.0	\$7,365.0	\$0.0	\$4,158.7	\$32,590.2
Bond/IRANS Proceeds	\$0.0	\$191.7	\$10,000.0	\$0.0	\$0.0	\$205.0	\$0.0	\$0.0	\$860.9	\$1,207.7	\$0.0	\$0.0	\$12,465.3
Coupon Interest	\$1,636.3	\$1,867.4	\$808.3	\$1,691.5	\$2,408.8	\$2,844.5	\$2,106.6	\$2,351.6	\$1,136.5	\$813.5	\$1,911.9	\$2,637.3	\$22,204.2
LAIF WITHDRAWAL													\$0.0
TOTAL CASH IN:	\$765,697.7	\$865,229.6	\$252,748.1	\$235,732.6	\$400,650.3	\$676,451.5	\$179,074.6	\$254,855.5	\$161,965.6	\$226,231.7	\$251,695.6	\$329,824.5	\$4,601,167.4
CASH OUT:													
Tax/Allocations: checks	\$6,591.3	\$141,585.6	\$46,439.2	\$20,891.3	\$3,704.7	\$106,229.5	\$341.0	\$24,688.7	\$4,795.9	\$0.0	\$0.0	\$122.7	\$357,389.9
Outside Withdrawals	\$17,407.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$14,166.7	\$0.0	\$0.0	\$0.0	\$0.0	\$34,421.9	\$90,590.1
Returned Checks/Miscellaneous	\$7.1	\$46.1	\$84.7	\$10.0	\$60.2	\$912.3	\$480.9	\$35.4	\$33.3	\$3.6	\$14.2	\$12.0	\$1,664.1
TRAN/Other Payments -County	\$3115.5	\$208.7	\$208.7	\$855.5	\$208.7	\$9,953.3	\$49,808.2	\$18,636.0	\$18,935.8	\$392.8	\$208.7	\$19,670.3	\$119,402.3
TRAN/Other Payments -Schools	\$0.0	\$1,087.3	\$7190.2	\$1.0	\$3,548.4	\$2.0	\$1,115.6	\$40,128.6	\$0.0	\$121.8	\$0.0	\$705.6	\$53,895.5
GO Bond/IRANS Payments	\$0.0	\$0.0	\$13,616.3	\$18,333.6	\$24,658.1	\$2,869.0	\$0.0	\$0.0	\$30,326.3	\$58,884.4	\$79,291.6	\$7,105.9	\$245,085.3
Housing Authority	\$4,393.4	\$3,596.6	\$2,979.0	\$3,141.1	\$4,924.6	\$3,125.4	\$5,313.3	\$5,641.7	\$3,979.8	\$3,697.9	\$3,170.7	\$3,067.8	\$47,031.3
Payroll -County	\$45,284.1	\$36,803.2	\$37,847.1	\$40,223.8	\$37,737.8	\$59,272.5	\$47,310.1	\$44,360.4	\$38,490.1	\$37,934.5	\$34,972.8	\$49,490.2	\$509,726.6
Schools	\$110,287.9	\$61,685.4	\$43,764.9	\$61,894.6	\$59,080.3	\$66,539.4	\$67,259.2	\$74,405.1	\$39,292.9	\$39,603.0	\$49,270.3	\$68,460.0	\$741,473.0
Retirement	\$29,164.3	\$13,244.0	\$13,640.2	\$14,304.0	\$13,462.3	\$15,493.0	\$15,517.4	\$14,300.6	\$14,145.9	\$14,255.5	\$13,359.4	\$15,367.4	\$186,194.0
School Vendors	\$63,577.5	\$54,715.5	\$42,624.1	\$53,308.2	\$61,227.4	\$63,668.1	\$61,501.3	\$86,208.1	\$63,130.3	\$33,570.9	\$51,410.5	\$74,224.6	\$723,166.5
Controllers EDP	\$67,639.1	\$66,792.3	\$61,486.0	\$58,170.5	\$69,510.7	\$54,027.4	\$80,073.4	\$65,661.3	\$83,002.7	\$42,207.2	\$51,492.8	\$65,403.5	\$765,466.9
SMCCCD	\$22,638.8	\$17,521.3	\$6,548.9	\$14,115.0	\$15,444.7	\$14,949.1	\$14,345.8	\$12,979.0	\$15,498.1	\$14,405.4	\$14,978.9	\$16,350.1	\$179,770.1
LAIF DEPOSIT													\$0.0
Other ARS Debits	\$16,659.6	\$23,094.6	\$16,821.9	\$13,350.3	\$19,279.3	\$15,054.9	\$16,487.8	\$25,132.6	\$21,245.7	\$20,851.2	\$15,632.0	\$14,112.1	\$217,722.0
TOTAL CASH OUT:	\$385,952.0	\$420,359.1	\$239,246.2	\$325,132.8	\$312,842.2	\$412,035.9	\$373,720.7	\$412,177.5	\$332,896.8	\$295,928.2	\$313,801.9	\$368,504.1	\$4,244,577.6
TOTAL ESTIMATED CASH FLOW	380,745.7	444,890.5	(40,498.1)	(87,400.3)	87,808.1	264,415.6	(194,646.1)	(157,312.0)	(170,931.2)	(68,558.4)	(58,538.2)	(38,679.6)	\$81,296.0
QUARTERLY CASH FLOW TOTALS			785,138.0			264,823.5			(522,889.3)			(165,765.2)	\$81,296.0
MATURING SECURITIES	\$412,750.0	\$158,000.0	\$578,938.0	\$44,623.0	\$37,700.0	\$283,590.0	\$151,000.0	\$147,000.0	\$85,000.0	\$15,000.0	\$100,000.0	\$30,000.0	\$2,573,511.0
Excludes any overnight investment													
Bond/IRANS Calls	\$20,000.0	\$50,000.0	\$10,000.0	\$5,000.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.0	\$0.0	\$0.0	\$0.0	\$105,005.0

MONTHLY YIELD CURVE

October 31, 2017

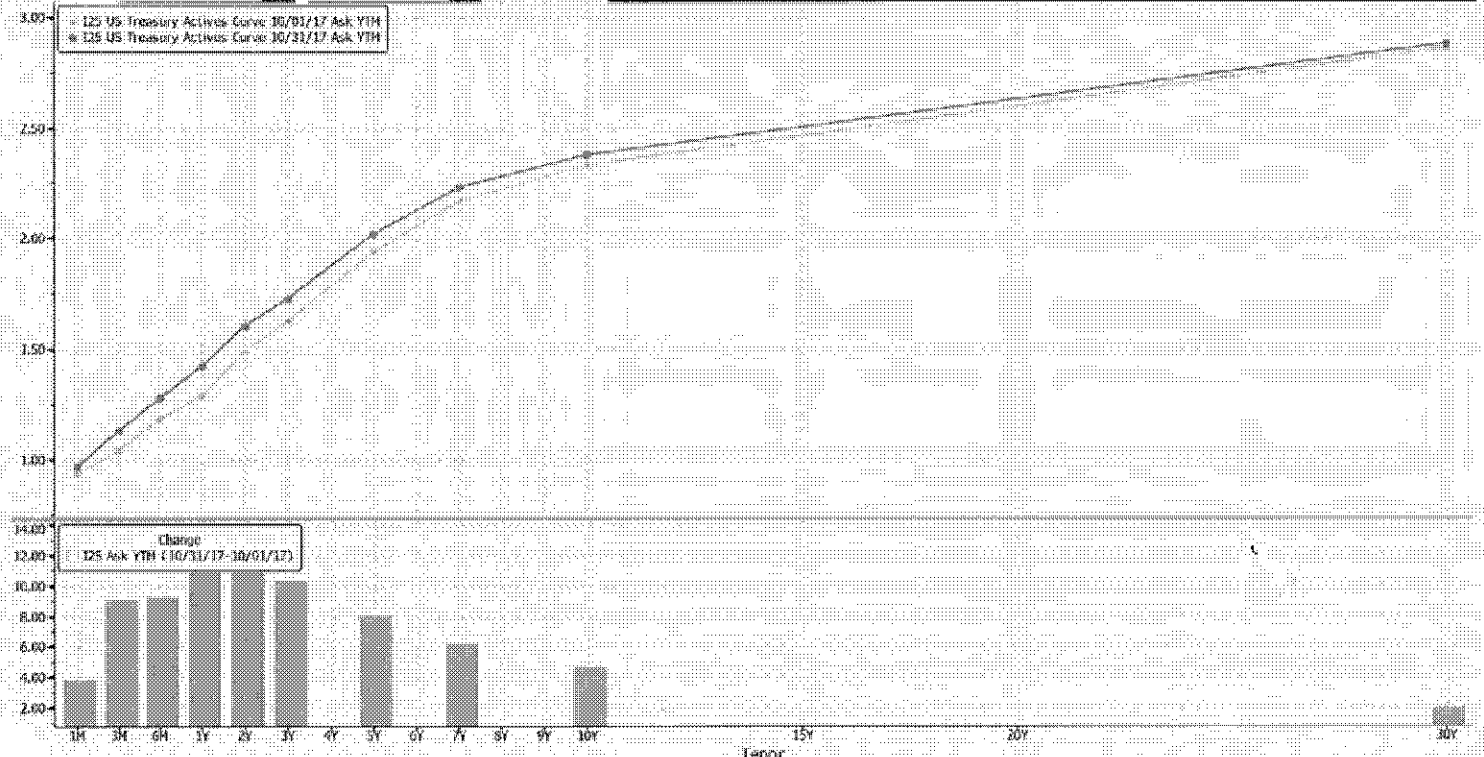
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Running as C15. Run GC for more features.

US Treasury Actives Curve Actions 98 Table Settings Graph Curves

X-Axis Tenor Y-Axis Ask YTM Currency None PCS Lower Chart History Chart

Specific 10/01/17 10/31/17 Relative Last 1D 1W Modify Curves & Relative Value



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MONTHLY YIELD CURVE

October 31, 2017

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Running as C15. Run GC for more features.

US Treasury Actives Curve Actions 90 Chart Settings Graph Curves

X-Axis: Tenor Y-Axis: Ask YTM Currency: None PCS
Specific: 10/01/17 10/31/17 Relative Last 1D 1W Modify Curves & Relative Value

Values and Members Values Members Constituents

125 Ask YTM US Treasury Actives Curve 10/31/17			125 Ask YTM US Treasury Actives Curve 09/29/17			125 Ask YTM (Change) 10/31/17-09/29/17		
Tenor	Description	Yield	Description	Yield				Yield
11)	1M GBM Govt	0.971	Same	0.933				3.8
12)	3M GB3 Govt	1.131	Same	1.041				9.1
13)	6M GB6 Govt	1.278	Same	1.185				9.3
14)	1Y GB1 Govt	1.421	Same	1.289				13.2
15)	2Y GT2 Govt	1.600	Same	1.483				11.7
16)	3Y GT3 Govt	1.726	Same	1.622				10.3
17)	5Y GT5 Govt	2.017	Same	1.936				8.1
18)	7Y GT7 Govt	2.231	Same	2.169				6.2
19)	10Y GT10 Govt	2.379	Same	2.334				4.6
20)	30Y GT30 Govt	2.879	Same	2.860				1.9

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